Shuffling the deck

Major shakes up his cabinet

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Business air travel

A new option for cutting costs

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South Korea

An industrial model runs out of steam

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Tomorrow's **Weekend FT**

Seriously Rich: special issue dedicated to wealth

FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY MAY 28 1993 D8523A

Peseta feels the pressure ahead of Spanish election

The Spanish peseta received a bruising in foreign exchange markets, two weeks after an 8 per cent devaluation and 10 days before a general election in which the two main parties have been neck-and-neck.

The currency dipped below its new central rate against the D-Mark as dealers took the view that the country's interest rates might be cut around the time of the June 6 election. Page 16

HK airport talks to resume: China agreed to resume high-level talks with the UK about Hong Kong's airport project, ending an eight month hiatus in negotiations for the financing of one of Asia's most ambitious infrastructure developments. Page 16; Editorial Comment, Page 15; China on the defensive over Tibet, Page 6

EC-US oilseed deal agreed: The EC-US accord on oilseeds, a milestone in the current round of Gatt world trade reform talks, is finally set to be ratified by all Community member states on June 8. Page 3; Brittan calls for closer union, Page 2

Hungary faces Forum party split:

The ruling Hungarian Democratic Forum faces a split after the resignation of Lajos Fur (left), the party leader who has held the conservative and nationalist factions together. His departure leaves the Forum without a bridge between the moderate conservatives of Jozsef Antall, the prime minister, and a smaller group around Istvan Csurka, who last year published a virulently anti-communist and anti-Semitic tract. Page 2

Kurds seek access to Turkish lira: Turkey is considering circulation of its national currency in Kurdish-controlled northern Iraq. Page 6

Crédit Local de France: The French privatisation programme rolled into action with the announcement of plans to raise up to FFr5bn ($910m) from the sale of a 30 per cent stake in Crédit Local de France, a bank specialising in local authority loans. Page 17

Elf-Aquitaine, the oil and chemicals group which is high on the list of companies to be sold off under the French government's latest privatisation programme, warned of a sharp fall in operating profits for the first half of this year. Page 17

Fujitsu, Japan's largest computer maker, saw pre-tax losses – its first since it joined the stock market in 1949 – of Y8.7bn ($79m), compared with profits of Y40bn in 1991-92. Page 17

Ford of Britain, the UK's leading vehicle maker, made a pre-tax loss of £353m ($544m) last year, its second successive loss in its core Ford car and light commercial vehicle operations. Page 17

Japanese banks increase provisions: Leading Japanese banks increased their provisions for bad loans by an average 70 per cent last year, and said it would take them several years to remedy the financial damage caused by the lending excesses of the late 1980s. Page 17

S.G. Warburg, the UK merchant banking group, saw a sharp profits recovery in the second half, though annual pre-tax profits were down 11 per cent at £148.2m ($229m). Page 18; Lex, Page 16

Mexico's $30m for trade lobbying: Mexico is to spend up to $30m on lobbying efforts this year to try to ensure the passage of the North American Free Trade Agreement. Page 3

Polish premier fights to survive: Hanna Suchocka, Poland's prime minister, warned that Polish economic reforms would be delayed if her government was toppled in a Solidarity-proposed vote of no confidence today. Page 2

Sharif wins vote: Pakistan's reinstated prime minister Nawaz Sharif won a sweeping victory in a crucial vote of confidence after Benazir Bhutto, the opposition leader, boycotted the emergency session of parliament. Page 6

Chile copper mine to expand: A $284m growth of Escondida in Chile, the world's second largest copper mine, has been given the go-ahead by government lending agencies in Finland, Germany and Japan, which provided most of the money for its start-up in 1990. Page 34

Morgan Stanley shares rose after the big Wall Street securities house reported sharp improvement in first-quarter profits to $195.8m. Page 18

■ STOCK MARKET INDICES

FT-SE 100:	2855.3	(+8.4)
Yield	4.03	
FT-SE Eurotrack 100	1165.01	(+2.50)
FT-A All-Share	1409.17	(+0.2%)
Nikkei	20,852.63	(-43.36)
New York lunchtime		
Dow Jones Ind Ave	3558.15	(+17.99)
S&P Composite	453.55	(+0.11)

■ US LUNCHTIME RATES

Federal Funds:	3 1/16%
3-mo Treas Bills: Yld	3.085%
Long Bond	102 9/32
Yield	6.939%

■ LONDON MONEY

3-mo Interbank	5 15/16%	(same)
Liffe long gilt future:	Jun 104 23/32	(Jun 104 13/32)

■ NORTH SEA OIL (Argus)

Brent 15-day (July)	$18.675	(18.37)

■ Gold

New York Comex (July)	$382.4	(375.3)
London	$ 376.70	(375.45)

■ STERLING

New York lunchtime:		
$	1.5585	
London:		
$	1.555	(1.5455)
DM	2.5075	(2.5225)
FFr	8.455	(8.4975)
SFr	2.235	(2.26)
Y	167.5	(167.75)
£ Index	80.7	(80.8)

■ DOLLAR

New York lunchtime:		
DM	1.60715	
FFr	5.42475	
SFr	1.4335	
Y	107.25	
London:		
DM	1.612	(1.632)
FFr	5.4375	(5.4975)
SFr	1.4375	(1.462)
Y	107.8	(108.6)
$ Index	63.6	(64.1)

Tokyo close Y 108.05

Austria	Sch30	Germany	DM3.30	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Greece	Dr300	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Hungary	R172	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	Iceland	IKr180	Neth	Fl 3.75	Slovak Rp	KSL45
Croatia	HRD5700	India	Rs40	Nigeria	Naira45	Slovenia	SLT220
Cyprus	C£1.00	Israel	Shk5.90	Norway	NKr16.00	Spain	Pta200
Czech Rp	Kcs45	Italy	L2700	Oman	OR1.50	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Pakistan	Rs35	Switz	SFr3.20
Egypt	E£4.50	Korea	Won 2500	Philippines	Pso45	Syria	S£50.00
Finland	FM12	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
France	FFr9.00	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Six killed as car bomb damages Uffizi art gallery

By Robert Graham in Florence

THE ITALIAN authorities yesterday feared that a huge car bomb, which seriously damaged one wing of the Uffizi Gallery in Florence and killed six people, signalled a dangerous campaign to destabilise the country.

The explosion caused damage within a radius of 300 metres of the gallery, injured more than 50 people, and damaged more than 30 paintings, three irreparably. It occurred at a time when Italy's institutions have been severely weakened by corruption scandals and a disintegration of the party system.

Less than three weeks ago another car bomb injured 23 people when it exploded in the wealthy Parioli district of Rome. The authorities said the Rome bombing was probably carried out by the Mafia, but that has yet to be proved.

Florentine police found traces of explosive, a crater and the shattered remains of a Fiat Regata in a street adjoining the Uffizi Gallery. Although one little-known group, Armed Phalange, claimed responsibility, it also claimed responsibility for the Parioli bombing. Mr Nicola Mancino, the interior minister, said all options had to be considered in attributing responsibility for the bombing.

Standing in front of Italy's most famous art gallery, Mr Alberto Ronchey, the culture minister, said: "This is a vile act and for the first time people have sought to attack right at the heart of our cultural heritage. The Uffizi in the historic centre of Florence is regarded worldwide as a symbol of western culture."

He said the gallery would be closed indefinitely, but added: "We will seek to open at least part as soon as possible because it is vital that we show we are undeterred and can carry on as normal, especially at the height of the tourist season."

According to Ms Annamaria Petrioli Tofani, director of the Uffizi, the paintings damaged beyond repair were in the Caravagesque Gallery, in the part of the Uffizi nearest the river Arno. The paintings were two by Bartolomeo Manfredi and one by the Flemish painter Gherardo delle Notte.

The most famous of the other casualties was Sebastiano del Pionbo's "Death of Adonis", which has a horizontal slash from shattering glass. Fragmented glass from the blast damaged at least 30

Continued on Page 16

Italy counts the cost, Page 2

Anger as Major moves Lamont from UK finance ministry

Taking charge of managing UK economy: Kenneth Clarke yesterday

By Philip Stephens and Ralph Atkins in London

MR NORMAN LAMONT, the British chancellor of the exchequer (finance minister), left his post last night angry and embittered after Mr John Major tried to restore the battered authority of his government by appointing Mr Kenneth Clarke in his place.

Ending a power struggle that had threatened to paralyse his government, the prime minister balanced the elevation of the centrist, pro-European Mr Clarke with the appointment of the rightwing Euro-sceptic Mr Michael Howard as home secretary.

The reshuffle was soured by the acrimony surrounding Mr Lamont's departure. Mr John Redwood was the only new appointment to the cabinet, taking the post of Welsh secretary.

After refusing to accept a demotion to the post of environment secretary, Mr Lamont gave public vent to his anger by issuing a terse statement in which he failed conspicuously to pledge his continuing support for Mr Major.

In an atmosphere reminiscent of the stormy cabinet departures that preceded the then Mrs Margaret Thatcher's downfall in 1990, there was speculation at Westminster that Mr Lamont might now become a champion for Mr Major's political enemies on the Conservative back benches.

Mr Lamont is an instinctive Eurosceptic whose support for the Maastricht treaty has been grounded in pragmatism rather than enthusiasm. In his statement, Mr Lamont said he believed that "the success of the policies I have put in place will become increasingly clear with the passage of time".

In spite of the other ministerial changes, the former chancellor and the manager in 1990 of Mr Major's leadership campaign was left in no doubt that the principal objective of the reshuffle was his removal from the Treasury.

Mr John Smith, the opposition Labour leader, said the prime minister was like "the captain of a ship throwing his first mate off the bridge as they head for the rocks". Mr Paddy Ashdown, the Liberal Democrat leader, said Mr Lamont's move was "a sacking dressed up as a reshuffle".

UK GOVERNMENT CHANGES

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■ UK rate cut fears
■ Lamont's cherished job
■ Tory 'scapegoat'

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Mr Lamont's efforts to remain in office were overcome by the determination of Sir Norman Fowler, the party chairman, and Mr Richard Ryder, the chief whip, that he should be replaced.

Some of Mr Lamont's friends suggested last night he might seek to damage the prime minister by giving his account of the events that led to sterling's departure last autumn from the European exchange rate mechanism. Mr Lamont, whose reputation never recovered from the ERM debacle, refused to accept blame for an economic strategy set in place by Mr Major.

Senior ministers said Mr Major's decisive action in dismissing Mr Lamont had restored his personal political authority. To have kept him at the Treasury would have continued to drain the prime minister's personal authority and left him vulnerable to a challenge.

Mr Clarke, alongside foreign secretary Mr Douglas Hurd the most confident and powerful politician in the cabinet, is seen by a majority in the Conservative party as offering Mr Major his strongest chance of restoring the government's reputation for economic competence.

Although committed to the principle of managed exchange rates, Mr Clarke has made clear that he will not risk antagonising the Euro-sceptic right of the Tory party by seeking to take sterling back into the ERM in the short to medium term.

The appointment of Mr Howard as home secretary gives him charge of the most central element in next year's legislative programme - a crackdown on crime designed to restore the government's tarnished reputation as a strong guardian of law and order.

Mr Major shuffled the portfolios of six Cabinet ministers and made 18 other alterations to those below Cabinet rank. Among those moving were Mr John Gummer, a close political ally of the prime minister who was pivotal in his 1990 Tory leadership campaign. He went from agriculture to the higher-profile Environment Department. Mr David Hunt moved from the Welsh Office to the Employment Department, replacing Mrs Gillian Shephard.

Clinton defends record in office

By Jurek Martin in Washington

PRESIDENT Bill Clinton yesterday mounted a robust defence of his record in office and the performance of his much-criticised White House staff.

His appearance on a two-hour breakfast television "town meeting" came just hours after a post-midnight pact with conservative Democrats on the details of the budget bill to be voted on later in the day by the House of Representatives. This places some ceilings on social spending but leaves in place the controversial energy tax, a cornerstone of Mr Clinton's economic programme aimed at raising $70bn over five years.

Mr Clinton also confirmed he would extend China's most favoured nation trading status for a year "because I want to support modernisation in China and it is a great opportunity for America there". But he said he expected "some progress" from China on human rights abuses and the use of prison labour.

Other disputes with China, over arms sales and trade, would be negotiated separately and directly with the Chinese, he said. "I think they will appreciate the gesture I'm making."

On the issue of introducing a value-added tax, the president said he thought it was "feasible if it is not regressive". It was something "we may look at later on", but was "such a big issue" that it had to come after economic and healthcare reform.

Most of the questions put to the president by his audience of

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Aid cut threat to IDA, Page 4

State spending cuts planned to cope with German 'crisis'

By Quentin Peel in Bonn

MR THEO WAIGEL, the German finance minister, yesterday announced plans to cut state spending across the board to cope with the consequences of what he called "the sharpest economic crisis" since the foundation of the German Federal Republic in 1949.

He promised a law to reduce the rates of payment of official welfare benefits, an indefinite extension of the ban on new programmes without compensatory cuts to finance them, and a medium-term ceiling of 2.75 per cent annual growth in state spending – half the forecast nominal growth rate of 5.5 per cent.

The inevitable consequences of severe cuts in social spending programmes, including unemployment and retraining subsidies, met with furious criticism yesterday from the opposition Social Democrats in the German parliament, which was voting on the last round of more modest budget cuts.

The new package is supposed to find extra savings of at least DM20bn ($12.2bn) in 1994, in order to keep the central government budget deficit down to DM70bn. But the real squeeze is on longer term spending, to prevent the current recession-induced deficit becoming a structural one.

Mr Waigel warned that Germany must change from planning on the basis of steadily increasing economic welfare.

Theo Waigel: looking for extra savings of DM20bn next year

"Whether real gross national product falls by 1.5 per cent, 2.0 per cent or even more, is not the decisive question," he said. "The decisive thing is rather that all plans and expectations for constantly increasing prosperity must be revised."

"In the space of just two years, in 1993 and 1994, we must support both socially and financially almost 1m additional unemployed workers," he said. "And we must continue to support the revival of the east [Germany] on the basis of a significantly weaker western economy."

Mr Helmut Wieczoreck, the SPD budget spokesman, described the proposed cuts in welfare benefits, such as a 3 per cent cut in unemployment benefits, as "an act of social piracy".

Mr Rudolf Dressler, deputy leader of the SPD in parliament and its social affairs spokesman, accused the government of seeking to dismantle the welfare state, and impose all its spending cuts at the expense of the weakest in society.

Mr Waigel has given himself little more than a month to negotiate his DM20bn budget cuts for 1994, before the draft budget has to be approved by the cabinet in early July. It will then go before parliament in September.

At present there looks to be little prospect of an agreement with the opposition on the necessary cuts in social spending, which means that the budget could be blocked in the Bundesrat, the upper house of parliament, where the SPD states have a majority.

Deportation plan snag, Page 2

Treuhand call, Page 2

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Bomb damage at the Uffizi art gallery in Florence after yesterday's attack is likely to top L30bn

Italy counts the cost

By Robert Graham in Florence

FIREMEN, policemen and visiting dignitaries yesterday replaced tourists at the Uffizi Gallery in Florence, looking at bomb damage, not art.

The full scale of the destruction caused by a huge car bomb only began to come to light at mid-day after museum staff had made a preliminary assessment of the gallery and its priceless treasures, and salvage teams had cleared the debris from a radius of 300 metres surrounding the Uffizi in the heart of Florence.

"The damage was far worse than I suspected," said Mr Stefano Martelli, a junior curator. "I live some 8km out of Florence and heard the blast but never imagined it was like this, or could be a bomb."

The sturdy 16th century structure of the gallery withstood the blast but all 30 sets of windows on either side of the museums's famous courtyard were blown in. In the street adjoining the explosion, buildings had crumbled and ancient guttering hung sadly from top floors. It was in this street, close to the River Arno, that the main casualties occurred, including the killing of six people.

"Most of us came as soon as we could and we have been working since before eight this morning to remove pictures from the damaged galleries," said Mr Martelli. He reckons as many as 1,000 pictures will have to be moved.

Police cordoned off the area around the gallery for fear of looters and the gallery itself was closed to all save staff and security experts.

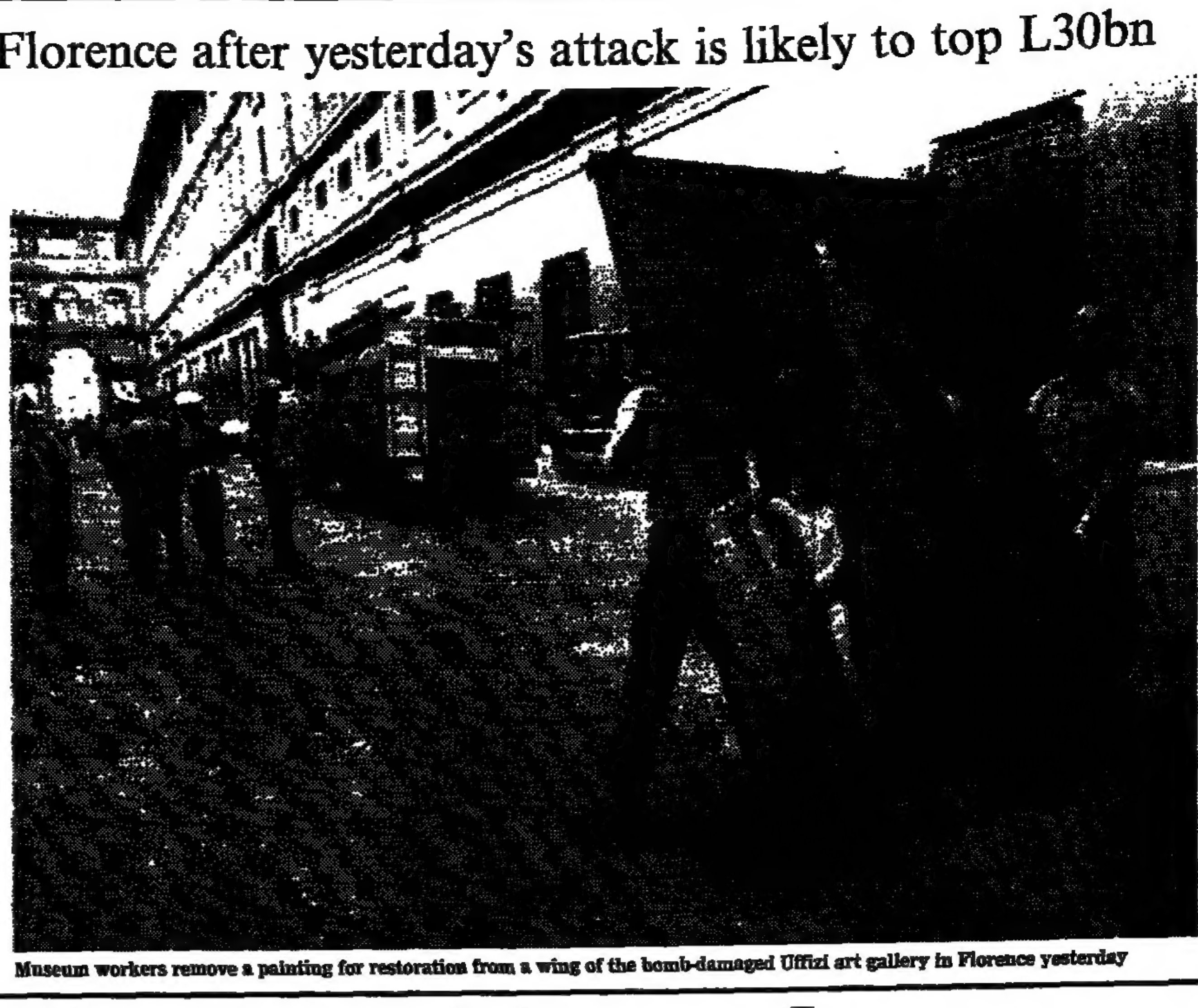
There is structural damage to the wing closest to the blast and the normal visitors' entrance has had part of its ceiling affected. "The pictures have been damaged by glass fragmentation in the blast, and this has lacerated some paintings. Others have been peppered with a fine combination of dust, fragments of glass and masonry," said another member of the gallery staff, Ms Barbara Vangelli.

Visiting the nearby church of Santo Stefano de la Porta, which is temporarily housing important 14th century works of art, it was possible to see the effects of glass damage. Blown in windows have gashed the paint down to the white undersurface of a Madonna, and a Giotto Madonna has been lightly peppered with minute particles.

"Luckily the most important paintings in the damaged wing had protective glass in front of them and this has saved them," said another museum official.

Many of those helping to clear up the damage yesterday had helped in 1976 when the Arno overflowed and flooded part of the Uffizi, causing serious damage. It is reckoned that at least L30bn ($20.29m) will be needed immediately to cover repairs. "We have plenty of restorers – that is not the problem. It is the time taken to clean and re-hang the paintings, plus insuring that all the security systems are fully repaired," said Mr Martelli.

A full list of the damaged works should be available in the next few days but already the museum has accepted it has lost three paintings in the Caravaggesque gallery, with another 30 badly damaged. The damage was caused in galleries 25-45. Those containing the treasures of the Florentine Renaissance were completely unaffected.



Museum workers remove a painting for restoration from a wing of the bomb-damaged Uffizi art gallery in Florence yesterday

EC energy reforms may be diluted

By Andrew Hill in Brussels

CONTROVERSIAL plans to open up access to European Community energy networks and increase competition between suppliers could be watered down after intense opposition from most EC governments.

Mr Abel Matutes, the energy commissioner, favours amending existing much-criticised draft legislation so that member states will no longer be obliged to grant access to the electricity and gas networks.

Mr Matutes' predecessor, Mr Antonio Cardoso e Cunha, had proposed that large consumers – for example, steel, chemicals and fertiliser companies – should be granted access to energy networks this year. If successful, the right to buy electricity and gas anywhere in Europe would have been extended to smaller consumers from 1996.

Instead, it is now suggested that users who want to buy energy across EC borders would negotiate access to other networks, signing individual contracts. Member states and operators would have to justify any decision to refuse a request – for example, on the grounds that there was insufficient capacity, the negotiated price was too low, or there was a risk that domestic energy companies would be unable to meet their obligations to existing clients.

Launching the original measures last January, Mr Cardoso e Cunha said a single market in energy could save consumers "tens of millions of Ecus".

Only Britain, which has liberalised its own energy network, was wholly in favour of the proposals. Other member states expressed cautious approval for related measures, aimed at introducing more transparency into energy companies' accounts and ending monopolies over electricity production. But Spain, Italy, France, Greece, Luxembourg and – on gas – the Netherlands, are still strongly opposed to "third party access". "The directives as they stand now are completely unacceptable so we are working on the assumption that they will be amended or watered down substantially," said one Commission official.

The Commission is hoping next month's meeting of energy ministers in Luxembourg will back the principle of a new approach, and Brussels officials will also consider taking up amendments which may be put forward by the European Parliament.

But Mr Claude Desama, the Belgian socialist MEP who heads the Parliament's energy and research committee, warned that any reference to a goal of third party access – a *sine qua non* for the Commission – could still alienate sceptical member states, the continental industry and many of his parliamentary colleagues.

Brittan calls for closer EC union

By Lionel Barber and Quentin Peel

SIR Leon Brittan, the EC Commissioner for external economic affairs, yesterday threw in his lot with the supporters of deeper European integration and issued a stirring call for a single European currency.

In a speech likely to enrage British opponents of the Maastricht treaty, including many in his own Conservative party, Sir Leon dismissed the idea that the EC should develop into a loose, free-trade area extending into eastern Europe.

"Widening must not mean less deepening," he told an audience of the Konrad Adenauer Foundation in Bonn, which included Chancellor Helmut Kohl.

Sir Leon's speech offered a comprehensive view of the future development of the EC, and reflects a growing confidence inside the European Commission that Maastricht ratification is within reach.

Turning to the post-Maastricht agenda, Sir Leon called for streamlining and modernising EC institutions such as the Commission and the European Parliament, as well as tighter policing of the EC's external frontiers to control illegal immigration, organised crime and drug trafficking.

But the striking aspect of the speech was its enthusiasm for European monetary union and the "undeniable" benefits of a single European currency to cover exchange rate risks and the commitment to stable prices and fiscal prudence.

"Neither the turbulence in the markets in recent months, nor the recessionary conditions now prevalent in much of Europe in any way weaken the essential long-term case for Emu," he said.

Sir Leon left open the precise timing of Emu which could be by 1997 at the earliest, or 1999 at the latest according to the Maastricht treaty.

He also hinted that stronger EC economies may proceed earlier than others; but this did not matter as long as the objective of Emu was a shared one.

Chancellor Kohl also used the conference to restate his commitment to European monetary union, in spite of the fact that only Luxembourg, of the 12 member states, currently fulfils all the economic preconditions.

He rejected any suggestion that the so-called convergence criteria should be watered down, saying that they represented a necessary and healthy challenge for all the EC members – including Germany – to bring their public finances under control.

Treuhand urges pay opt-out

By Judy Dempsey in Berlin

THE TREUHAND agency responsible for the privatisation of eastern German industry has recommended that managers of enterprises under its control implement, wherever possible, the opt-out, or "hard" clause.

Implementation of the clause, forged after a wave of strikes in eastern Germany's steel, metal and electrical sectors, is an attempt by the Treuhand to allow loss-making enterprises a chance to pull out of wage contracts designed to equalise eastern and western wages by mid-1996.

Losses from 300 metal enterprises under the Treuhand already account for two-thirds of turnover.

The recommendation is also aimed at containing the debts, and higher than expected deficit, incurred by the agency since it was set up in 1990.

Treuhand officials have confirmed that by the end of next year, when the agency is due to be dissolved, its total deficit could reach DM270bn ($166bn), or DM25bn above target.

● Linde, the German industrial conglomerate, is to build a DM100m ($61m) fork-lift truck factory in China with an annual capacity of 15,000, shareholders were told this week, writes Christopher Parkes in Frankfurt.

The plan was just one of a series of projects under preparation in the far east, Mr Hans Meinhardt, chairman, told the annual meeting.

Germany hits asylum snag

By Ariane Genillard in Bonn

GERMANY'S plan to deport asylum-seekers to neighbouring countries, approved by parliament on Wednesday, could be held up by Czech officials unwilling to take them back.

Mr Josef Zilieniec, the Czech foreign minister, said yesterday Germany should understand it could not solve its domestic security issues at the cost of the Czech republic.

Czech officials have said they will only agree to take back asylum-seekers from Germany once proper border controls are set up with Slovakia.

Most asylum-seekers from former Yugoslavia, Romania and Bulgaria cross Czech territory.

"We first need assurances that countries such as Romania and Bulgaria will take them back," a Czech official said. "We also need a proper border with Slovakia. This could take two years to be set up," he added.

German conservative MPs on Wednesday hailed a deportation agreement signed three weeks ago with Poland. Under the agreement, Poland will take back 10,000 asylum-seekers this year and an unlimited number thereafter. Germany is offering DM120m ($73.6m) to build the infrastructure to host the asylum-seekers.

The agreement with Poland was a crucial weapon in winning over the opposition Social Democrats who long opposed the constitutional change.

The new law dilutes the automatic right of a person to seek asylum upon entering Germany. Instead, guards will turn back at the border asylum-seekers "with manifestedly unfounded" claims.

Officials at the United Nations High Commissioner for Refugees in Bonn have warned that the German constitutional change will only partly curb the influx of foreigners into Germany. Many are expected to enter the country illegally, now that filing an asylum demand no longer ensures they can legally stay in the country for a while.

Plans to reinforce surveillance on Germany's eastern borders are under way, with an extra 1,700 police due to take up duty this summer.

The interior ministry is also testing infra-red equipment which will allow border trespassers to be seen at night.

According to the interior ministry, tougher security measures are also planned for Frankfurt airport, where border guards will be able to send back asylum-seekers coming from countries where no violations of human rights have been reported.

Court to rule on abortion law

By Judy Dempsey in Berlin

THE difficulties of integrating two different social systems in Germany will be tested today when the constitutional court decides whether a new abortion law is binding.

The law, passed by the Bundestag in June 1992 but immediately referred to the constitutional court by Chancellor Helmut Kohl, is a reminder that women in the former east Germany had far more rights than their western counterparts before unification.

Abortion in the eastern states was available free on demand, without medical consent, up to the 12th week of pregnancy. In West Germany, abortion was tightly restricted, requiring recommendation by at least three doctors.

Unification meant a compromise had to be found. After months of debate, a free vote was held in the Bundestag. The eastern deputies of the ruling Christian Democratic Union, the Social Democrats and the liberal Free Democrats voted to liberalise abortion throughout Germany, up to the 12th week of pregnancy, and after counselling.

The outcome was challenged by Mr Kohl, concerned about losing support from the conservative wing of the CDU and particularly its sister party, the (Catholic) Christian Social Union (CSU) in Bavaria.

Genetic research curbs to be eased

By Ariane Genillard in Bonn

GERMANY'S coalition government yesterday approved a proposal to ease tight restrictions on genetic engineering research.

The proposed amendment to the three-year-old law regulating gene technology research, will remove lengthy and costly procedures which had forced the pharmaceutical industry to conduct most of its research outside Germany.

"At the moment, every single genetic experiment requires a series of detailed documents in order to receive permission. This is greatly handicapping the competitiveness of German research laboratories," said Mr Gehrad Stopa, spokesman for Bayer, the chemical group.

The amendment introduces simpler registration procedures for research classified as safe for the natural and human environment.

Over 75 per cent of genetic engineering research falls into this category and could benefit from the amendment.

Mr Günter Rexrodt, the economics minister, said yesterday the proposal was crucial to ensure that German pharmaceutical laboratories were competitive with those of other countries, especially the US.

The amendment will go to parliament later this year.

Hungary faces party split

By Nicholas Denton in Budapest

THE GOVERNING Hungarian Democratic Forum is stretched to breaking point after the resignation of the party leader who has held the conservative and nationalist factions together.

Mr Lajos Fur, who gave up his unifying role as party president late on Wednesday, said in a statement published yesterday that his efforts to resolve an "intolerable war between brothers" had ended in "bitter failure".

Mr Fur's departure leaves the Forum without a bridge between the moderate conservatives of Mr Jozsef Antall, the prime minister, and a smaller group around Mr Istvan Csurka, the populist writer who broke Hungary's political calm with a virulently anti-communist and anti-semitic tract last year.

One party leader said the only solution was a "peaceful divorce". The long-awaited formal split could come as soon as next week at the Forum's national delegate meeting.

A breakaway by Hungarian Justice, the party-within-a-party set up by Mr Csurka and claiming the support of 29 far-right MPs, would cost Mr Antall's government its parliamentary majority.

The Forum's internal strife coincides with growing restlessness among the governing party's coalition partners and promises a rough parliamentary passage for emergency budget proposals considered yesterday by the government.

Government officials are braced for a parliamentary rebellion against a plan to increase value added tax, cut public sector pay and lower the public sector deficit from 7.3 per cent of gross domestic product in 1992 to 5.6 per cent in 1994.

The government's task looked more daunting this week when the finance ministry admitted economic recovery would not start in 1993 and there could be a fourth year of recession. The ministry said GDP would stagnate or fall by up to 3 per cent in 1993, abandoning predictions of 0.3 per cent growth. Consumer prices were forecast to be 20-22 per cent higher this year than last.

Macedonia proposal rejected

GREECE yesterday rejected a UN proposal aimed at settling a bitter 18-month dispute with the former Yugoslav republic of Macedonia on its northern border, Reuter reports from Athens.

"Greece cannot accept the proposal by the two mediators. . . of the Geneva conference," Prime Minister Constantine Mitsotakis told reporters.

He said that Greece wanted the UN mediation effort to continue and that he would put forward new proposals. He also said Greece was ready to enter into direct talks with Macedonia.

Greece's dispute with neighbouring Macedonia has threatened to destabilise the southern Balkans and peace envoys have tried to defuse the row, focused on the name of the new state, which declared its independence from Yugoslavia in late 1991.

Efforts to settle their differences in direct talks in early 1992 failed on the first day because neither side would budge in the row over the name Macedonia.

UN mediator Cyrus Vance and European Community envoy Lord Owen negotiated between the two sides and put forward the compromise proposal earlier this month.

The feuding Balkan states and the mediators have imposed a news blackout on details of their talks and Mr Mitsotakis declined to say what was contained in the offer.

Boycott over whales alarms Norway

By Hugh Carnegy and Karen Fossli in Oslo

NORWAY'S business and industrial leaders yesterday voiced concern to the government about the economic impact of its decision earlier this month to resume commercial whaling.

Moves by several companies in Germany, a key market for Norway, to stop buying Norwegian products and a call by the environmental group Greenpeace for a European consumer boycott because of the whaling decision have alarmed the business community, which fears long-term damage to the country's exports.

Most political groupings at the European parliament yesterday declared support for a resolution demanding Norway discontinue commercial whaling if it becomes a member of the European Community.

Norway started membership negotiations in April.

The minke whale is included in the EC's list of endangered species, under the so-called habitat directive which will be implemented from July 1994.

This month Norway's foreign minister, Mr Johan Joergan Holst, called on the EC to remove the minke whale from the endangered species list.

In Brussels, Mr Eivind Berg, who is leading membership negotiations on Norway's behalf, said he did not believe the European parliament's resolution would interfere with the negotiation process. He suggested the European parliament's resolution creates a potential difficult situation once negotiations are concluded, however.

Senior officials in Oslo acknowledge privately that the threat from boycotts by individual foreign companies and consumers was real.

Representatives of the Confederation of Business and Industry, the Norwegian Trade Council, the association of fish producers, the ship owners' association and the Norwegian Tourist Board held a two-hour meeting with senior Foreign Ministry officials to outline their worries. "I am much more worried than I was a few days ago," said Mr Kjell-Martin Frederiksen, head of the Trade Council. "The boycott is now taking place. Norwegian companies are already being hurt."

German companies which have said they will stop buying Norwegian goods include three supermarket groups and Hawesta, a fish processing group. The supermarket chains are Tengelman, Hertie and Nordsaade, a Unilever company. Norway exported a total of NKr15.9bn ($2.30bn) non-oil products to Germany in 1992.

Suchocka fights for survival

By Christopher Bobinski in Warsaw

MS Hanna Suchocka, Poland's prime minister, yesterday warned that the country's economic reforms would be delayed if her government is toppled in a vote of no confidence this morning.

She was speaking in parliament on a Solidarity proposed no confidence motion which, if passed, could lead to new elections. Ms Suchocka said: "It is a paradox that this debate comes as our economic recovery is becoming ever more apparent." Industrial output rose 7.6 per cent in the first four months of this year.

Solidarity, which normally supports the coalition, called the no-confidence vote in protest at the government's refusal to award pay rises to striking health workers and teachers. Mr Aloyzy Pietrzyk, a Solidarity official, said: "This coalition government has for the past 11 months implemented policies which represent capitalism with an inhuman face."

Today's vote could see the six-party coalition scrape by with a thin majority after the small PL farmer's group, which recently left the government in protest at its agricultural policies, decided yesterday to abstain. Parliament's voting rules mean that abstentions in the 460-seat chamber amount to a vote in favour of the government.

No party appears to have enough seats or allies in parliament to form a stronger coalition than Ms Suchocka's. Yesterday President Lech Walesa described Ms Suchocka as "the best prime minister we have had until now". This implied that were the government to fall he would ask her to try to form a new cabinet. He also hinted that he would not dissolve parliament if the no-confidence motion succeeded.

A recent opinion survey showed 41 per cent wanted a cabinet reshuffle while retaining Ms Suchocka as the head of government. Another 31 per cent wanted new elections while 5 per cent wanted the present government unchanged. Just 6 per cent want to see a government headed by President Walesa.

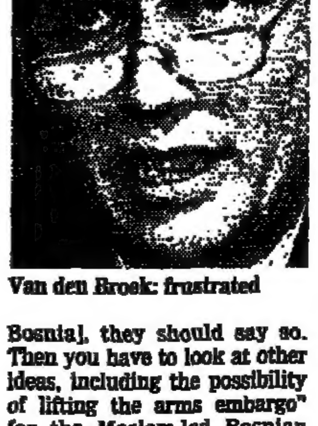
EC urged to meet on Bosnia

By David Gardner in Brussels

EUROPEAN Community leaders should meet urgently to discuss concrete steps, including military action, to implement the peace plan for Bosnia agreed in Washington at the weekend, according to Mr Hans van den Broek, EC commissioner for external political relations.

Speaking on an official visit to Ankara, Mr Van den Broek, the former Dutch foreign minister who chaired the EC council of ministers during the early part of the Yugoslav crisis, said the Washington joint action programme "raises questions which deserve clear answers."

An aide to the commissioner said "if the 12 are not prepared to provide means to enforce the safe havens and the blockade [of Serbia's border with Bosnia], they should say so. Then you have to look at other ideas, including the possibility of lifting the arms embargo" for the Moslem-led Bosnian government.



Van den Broek: frustrated

The US was rebuffed by its European allies when Washington argued in favour of arming the Bosnian Moslems earlier this month.

Mr Van den Broek said "military options could not be excluded" in implementing the Washington plan, agreed between the US, Russia, UK, France and Spain.

He said the EC had to make clear that Serbian "aggression does not pay", and "what our reply will be if military operations are extended to Kosovo."

Mr Van den Broek has become increasingly frustrated at the drift of EC policy towards the former Yugoslavia, even though his influence is limited, and will still be so after the common foreign and security policy laid down in the Maastricht treaty comes into effect.

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EC members agree on farm price deal

By David Gardner in Brussels

THE EC-US agreement on oilseeds is set to be ratified by all Community member states including France on June 8, following an accord reached yesterday on this year's EC farm price regime.

The bilateral understanding is a vital building block for an overall deal on the Uruguay Round world trade reform negotiations.

At 5am yesterday, after four days of talks, EC agriculture ministers agreed on a predominantly French-compiled list of extra concessions to farmers. This means EC foreign ministers should be able to wave through the oilseeds deal when they meet in Luxembourg in 11 days time.

France had strongly opposed the deal with the US, limiting subsidised oilseeds output to 5.128m hectares, from the moment it was reached last November in Washington, along with a bilateral agreement on the farm chapter of the Uruguay Round.

The European Commission is anxious to get the oilseeds dispute out of the way quickly, fearing that otherwise the US would have a pretext for reopening the whole farm trade deal reached last year, which Brussels believes is advantageous to the Community.

This week's concessions increase compensation to EC farmers for "set-aside", the land they have to take out of production in order to reduce output. The production cuts, along with heavy price cuts, are the means through which the EC is reforming its Common Agricultural Policy and intends to meet the subsidy cut commitments it has made in the Uruguay Round.

Commission officials say the extra compensation will cost nearly Ecu1bn (£770m) over three years, and claim the swelling EC farm budget will still come in under its ceiling, or "guideline".

"Now we know how much French principles cost," one EC official commented acidly, adding that a modest multiple of this week's concessions would probably in the end reconcile France to a full Uruguay Round deal.

Within the terms of the EC-US agreement, direct payments to farmers in compensation for CAP price and output cuts will be exempt from subsidy cuts required under the Uruguay Round.

Mexico 'spending $30m' to boost Nafta in US

By Nancy Dunne and Lisa Bransten in Washington

MEXICO is to spend as much as $30m (£19.4m) on lobbying efforts by the end of this year, to try to ensure the passage of the North American Free Trade Agreement, according to the Centre for Public Integrity in Washington.

"Mexico has employed a veritable phalanx of Washington law firms, lobbyists, public relations companies and consultants," said Mr Charles Lewis, executive director of the Centre, which draws about 10 per cent of its support from labour unions.

Basing its conclusions on an eight-month analysis of Justice Department records, researchers found that 33 former US officials had been hired by Mexico to try to ensure the implementing legislation for Nafta gets congressional approval. Among those working for Mexico are former US trade representative Bill Brock and former analyst for the International Trade Commission Ruth Kurtz.

The report is the latest snag in the Clinton administration's efforts to sell Nafta to Congress.

Negotiations among the three governments on labour and environmental supplemental agreements are now stalled over a US proposal to allow trade sanctions against companies which demonstrate a pattern of failure to enforce environmental laws. However, Mr Mickey Kantor, the US trade representative, said this week he still expected to complete negotiations this summer.

The most serious threat to Nafta may come from Mr Ross Perot, the former presidential candidate, whose "infomercial" against the accord is due to run nationwide on television on Sunday night. Mr Perot's folksy presentations have done much to arouse fear that Nafta will draw jobs from the US to Mexico.

While many Democrats are in open rebellion against Nafta, Republican senators and some business groups are threatening to oppose it if the president succeeds in negotiating strong side agreements.

Union leaders, meanwhile, have given no sign that they will be satisfied by the proposed tripartite commission on labour standards, which the side pact would establish.

Canada set to ratify agreement

By Bernard Simon in Toronto

CANADA'S House of Commons was set to pass the North American Free Trade Agreement yesterday evening amid cautious optimism in Ottawa that the pact will also be ratified later this year, as scheduled, by the US and Mexico.

Nafta is due to come into force on January 1. But doubts about its implementation have grown in recent weeks as negotiations on two "side-agreements" covering environmental and labour standards have been stalled.

A spokesman for Mr Michael Wilson, Canada's trade minister, said yesterday that Ottawa still the views the side-agreements as "do-able". He noted that the three governments "lived through several moments as difficult as this" during the main Nafta negotiations.

He said that Canada objects to "a very narrow and specific feature" of the US proposals, namely, the use of trade remedies to enforce environmental and labour standards. Passage of the Nafta enabling legislation through the House of Commons has been marked by stormy debates, including an all-night sitting earlier this week. The ruling Progressive Conservative party eventually used its sizeable majority to close the debate and force the bill through the House.

The government was anxious to complete the debate before parliament adjourns for the summer recess, and before campaigning for a general election to be held later this year gets into full swing.

Gatt slow to adopt aircraft subsidy accord

By Frances Williams in Geneva

THE US and the European Community are making slow headway in attempts to generalise their bilateral deal on aircraft subsidies to other members of the General Agreement on Tariffs and Trade. The aim is to revise Gatt's existing code of fair practice on trade in civil aircraft by the end of this year, in parallel with the Uruguay Round of global trade negotiations.

However, it has proved more difficult than expected to extend the bilateral agreement – which covers only large airliners, and was designed to limit state supports for the European Airbus – to small aircraft, components, and a variety of national aids for aircraft development and production.

The revised code is being discussed in conjunction with the proposed Gatt code on subsidies included in the December 1991 package of draft Uruguay Round accords.

The US-EC Airbus deal, signed last summer after eight years of transatlantic feuding, prohibits subsidies for aircraft production and caps development support at 33 per cent of spending. It also places curbs on indirect supports, such as those derived by US manufacturers from government defence and aerospace contracts.

Brussels tries to resolve carbon steel dispute

By Lionel Barber in Brussels

THE European Commission has taken further steps under the General Agreement on Tariffs and Trade to resolve the dispute over US countervailing duties on carbon steel products from the UK, France and Germany.

Commission officials said yesterday the EC had asked the Gatt subsidies committee to look into duties which Brussels argues has artificially inflated the level of alleged EC subsidies.

However, on a separate issue, a spokesman for Sir Leon Brittan, commissioner for external economic affairs, said yesterday, the EC would respond in kind to the US sanctions in the government procurement dispute.

The duties cover lead and bismuth carbon steel products from Saarstahl of Germany, Usinor Sacilor of France, and a joint venture to produce speciality steel between British Steel and GKN, the UK engineering company. The duties amount to around $19m (£12.3m) of business.

A Gatt panel decision is not expected until the autumn, but Commission officials said they hoped the action under Gatt – rather than retaliation – might have a positive influence in Washington.

Sutherland faces toughest brief

Tim Dickson and Martin Wolf profile the free trade champion likely to be Gatt's new chief

MR PETER Sutherland, former European Community competition commissioner and now chairman of Allied Irish Banks, is confidently expected to be chosen director-general of the General Agreement on Tariffs and Trade at a special meeting of the contracting parties on June 9.

Once the EC, US and other European nations made clear their support for Mr Sutherland, the two Latin American candidates, Mr Julio Lacarte-Muro of Uruguay and Mr Luis Fernando Jaramillo of Colombia, had no chance of securing the necessary consensus of Gatt's 111 members.

Mr Sutherland is to take over from Mr Arthur Dunkel, a Swiss who has held the post since 1980. He will be only the fourth head of the Gatt. The first two were Sir Eric Wyndham White (1948-65), a British citizen who presided over the birth and establishment of the institution, and Mr Olivier Long (1968-80), another Swiss, who was in charge of the Tokyo Round of multilateral trade negotiations.

Mr Sutherland's pressing task will be to inject dynamism into the world trade body. His immediate priority will be completion of the Uruguay Round of trade talks, already 2½ years delayed. The next deadline is the end of this year, when the extension of the US "fast track" negotiating authority now sought by the Clinton administration is to run out.

A strong supporter of liberal trade and Gatt, Mr Sutherland has agreed to take on this exasperating job after initial hesitation. He does so at a time of fierce bilateral disputes between the US, EC and Japan and open questioning of Gatt norms, rules and procedures by the new US administration and Congress. The credibility of the multilateral trading system is at stake.

Sutherland: respected "because he always took a straightforward approach"

Mr Sutherland established his international reputation as EC competition commissioner between 1984 and 1988, when he emerged as a key architect of the single market programme – along with Britain's Lord Cockfield and Commission president Jacques Delors.

His legal experience made him master of many a complex EC brief and his negotiation skills – a touch primitive at first – ripened impressively over time. He quickly saw the potential of the EC's founding charter, the Treaty of Rome, to break down national barriers, typically using the threat of action in the European Court of Justice to extract political concessions from reluctant member states.

Mr Sutherland's efforts to expose unfair state aid and breathe competition into European industry enjoyed the benefit of a strong tailwind of business and public support – something the EC lacks today. In particular, the campaign to break up Europe's airline cartel and usher in cheaper fares was a popular crusading issue almost made in heaven. That said, the airline industry is a powerful and well organised lobby and only someone with Mr Sutherland's persistence could have achieved what he did on liberalisation.

Writing in his autobiography The Enterprise Years, the former British trade and industry secretary Lord Young says he had a "high regard for [Mr Sutherland's] ability and character. . . I thought [he was] quite outstanding in his grasp both of concept and detail in all the City and competition matters we had dealt with together."

A Commission official at the time believes "his strength derived from the fact that he was remarkably apolitical. He didn't have the normal fears of a politician, and marched into a room quite happily to present his case. He won respect because he always took a straightforward approach."

Mr Sutherland's high profile stemmed in part from his controversial portfolio, but also from his widely publicised tussles with the more *dirigiste* Mr Delors. Mr Sutherland's stock in Brussels went up sharply when the stories first started to leak out – but the man patronisingly dubbed the "little sheriff" by the Commission president was always ambivalent about the publicity. His support for the Commission's collegiate decision-making style was genuine and, despite their differences, he and Mr Delors had a mutual respect.

Although Mr Sutherland played expansively on the European – and even international – stage when in Brussels, he could not have been accused of neglecting Irish interests. He broadly supported the thrust of the Community's common agricultural policy reforms, but on more than one occasion sought, behind the scenes, to soften the blow for Irish farmers.

Mr Sutherland earlier demonstrated his interest in the Uruguay Round by participating, notwithstanding the agricultural interests of his country, in the Eminent Persons Group on World Trade, under the chairmanship of Count Otto Lambsdorff. Participants included former US trade representative William Brock and Lord Young. The group called for completion of a liberalising Uruguay Round in 1990, arguing that "what is at stake is not prosperity alone. It is the framework of international competition and security."

As a citizen of an EC member state with strong agricultural interests, it will be particularly important for Mr Sutherland to demonstrate total disinterestedness in his new role. The director-general represents the interests of the world as a whole, particularly those of the small trade-dependent nations that make up the bulk of the Gatt's membership. To succeed in his task, Mr Sutherland will need to show independence from the EC.

Senior policy-makers in the leading trading powers are at least showing renewed interest in making the Uruguay Round succeed. It will be Mr Sutherland's immediate task to seize on that opportunity and bring the round to completion at last. This will prove a tougher challenge than any he has experienced before.

Arrears to international development agencies would triple to $1bn

US aid pledge cuts could threaten IDA funding

By George Graham in Washington

THE ENTIRE SDR13bn ($18.5bn) replenishment of the International Development Association, the arm of the World Bank which provides low-interest loans to the poorest developing countries, could be thrown into doubt by the US Congress's efforts to accommodate new help for Russia inside a shrinking aid budget.

The US had pledged a total contribution of $3.75bn spread over three years, but this year will only allot $1bn, 20 per cent less than promised.

Because the IDA's money is provided under a burden-sharing agreement negotiated last year, any other country could now decide to reduce its promised commitment by 20 per cent, a tempting option at a time of budget crisis in many developed countries.

The IDA decision and other elements of the new US aid bill are expected to triple the US arrears to international development organisations to around $1bn.

The US aid bill produced by Congressman David Obey, who chairs the House of Representatives subcommittee in charge of foreign aid spending, provides a total of $12.9bn, $1.4bn less than President Bill Clinton had asked for, and will now move to the Senate for further discussion.

To fit new aid for Russia inside this envelope, Mr Obey has proposed a reduction of 2 per cent in every category of aid spending except for refugees and the Peace Corps, and much deeper cuts in some categories.

But the administration insisted on no cuts in aid to Egypt and Israel, which together account for 40 per cent of the US aid budget, even though Israel's per capita income ranks between Ireland and New Zealand, so African and other developing countries will be particularly squeezed within each category.

But some aid organisers acknowledged that the blow could have been worse, noting that Mr Obey had done his best to preserve funding for refugees, disaster assistance and sustainable development.

Funding for debt relief will be slashed. The US, which has been the only leading creditor not to grant full relief on loans to the poorest countries of sub-Saharan Africa, had originally allotted $45m to debt relief this year, but this will be scaled back to only $7m.

Mr Obey's efforts to squeeze out an aid bill have been complicated by the Clinton administration's promises of more help to Russia and the other republics of the former Soviet Union.

President Bill Clinton promised $1.6bn to President Boris Yeltsin at their summit meeting in Vancouver in April, added another slice in the formal budget he proposed a week later, and then promised a further $1.8bn at a meeting of finance ministers from the Group of Seven leading industrial nations in Tokyo earlier this month.

But the administration never came up with details of where this money would come from nor, except in the most general of terms, what it would be used for.

In the end, Mr Obey has clawed back $1.6bn originally allotted to foreign aid and defence in the current fiscal year, and found another $200m of savings in next year's budget to accommodate the Russian aid package.

Foreign aid has rarely been popular in the US Congress, and is coming under intense scrutiny at a time when so many domestic programmes are being cut back.

"We don't have that many votes to spare when it comes to passing this turkey," Mr Obey said.

Companies may face charges on Iraq sales

By Alan Friedman in Washington

THE CLINTON administration is considering two new indictments of US companies involved in illegal exports of militarily useful equipment to Iraq during the 1980s, both of which were funded by the Atlanta branch of Italy's Banca Nazionale del Lavoro (BNL).

According to US law enforcement officials, the investigations of both companies, which are located in New Jersey and Pennsylvania, are at an advanced stage.

On Wednesday night the US Justice Department filed arms export charges against Mr Carlos Cardoen, a Chilean arms maker, and Teledyne, a California defence contractor. The 21-part indictment concerns the allegedly illegal export from the US to Chile between 1982 and 1989 of zirconium, a metal made by Teledyne. The metal was allegedly used by Mr Cardoen to make about 24,000 cluster bombs that were then sold to Iraq.

The Cardoen affair could have repercussions in the forthcoming trial of Mr Christopher Drogoul, former BNL manager in Atlanta, and also in London, where the Lord Justice Scott inquiry is investigating Matrix-Churchill, the Coventry machine tools company that was Iraqi-owned, funded by BNL Atlanta and worked closely with Mr Cardoen.

Both Mr Drogoul and Mr Paul Henderson, the former Matrix-Churchill managing director, have said they acted with their governments' approval and briefed government intelligence services.

Both Teledyne and Mr Cardoen yesterday reacted with anger to the indictments, saying they held government documents that proved Washington's knowledge and approval of the exports as part of a tilt toward Iraq in the 1980s.

Teledyne said it would plead not guilty to the charges and would use US documents to show its exports were known about in Washington.

Mr Roger Zuckerman, a lawyer for Mr Cardoen, said: "The very government that now charges Mr Cardoen as a criminal was supplying weaponry to Iraq. [It] knew of, approved of, and even solicited the conduct it now deems illegal."

Two years ago the Bush administration denied a joint report by the Financial Times and ABC Television that the US government had approved of Mr Cardoen's dealings with Iraq, and with the Central Intelligence Agency denied reports of a meeting between Mr Cardoen and Mr Robert Gates, former CIA director.

Mulroney successor race opens up

Campbell's lead in Canada PM stakes is narrowing, writes Bernard Simon

Campbell: the aura of invincibility around her has slipped

Most of the patrons at Kelsey's, a non-descript bar near Toronto airport, were glued to the television, cheering their beloved Maple Leafs ice hockey team on to the Stanley Cup finals.

In another corner, a more subdued – and smaller – gathering was struggling to hear Mr Jim Edwards explain why he wants to be prime minister of Canada.

Mr Edwards, a member of parliament and government whip from Edmonton, Alberta, is one of five candidates campaigning to succeed Mr Brian Mulroney as leader of the Progressive Conservative Party. The winner will automatically also take over as prime minister. A more democratic process for picking a party leader would be hard to devise.

About 3,800 delegates will cast their ballots on June 13 at a national leadership convention in Ottawa. Most of the delegates have themselves been elected by local constituency associations.

For the past two months, the five candidates have criss-crossed the country trying to extract pledges of loyalty from as many delegates as possible.

Mr Edwards started the day in Halifax, Nova Scotia, where he appeared on a televised debate with his rivals. By lunchtime he was in Toronto, addressing members of the dowdy Empire Club at a downtown hotel. The morning after his cocktail-hour visit to Kelsey's, he was due to meet local high school students, some of whom will be youth delegates to the convention.

Mr Edwards appears to be running third in the leadership race. His prospects of winning are virtually zero, but a good showing on June 13 could put him in line for a senior cabinet post.

The odds on him making a creditable showing have improved in recent weeks. When the leadership race started, all signs pointed to a first-ballot landslide for Ms Kim Campbell, the 46-year old defence minister.

Thanks to her gender, age, and nimble mind (not to mention a much talked-about photograph showing her posing bare-shouldered behind her legal robes), "Campbellmania" seemed likely to sweep the defence minister not only through the convention, but also the general election due to take place later this year.

Several of Mr Mulroney's senior ministers with leadership ambitions of their own decided to stand aside, sensing that they had little chance of beating Ms Campbell.

But the aura of glamour and invincibility around her has slipped noticeably. According to one opinion poll conducted last week, the odds on the Tories winning the general election are now longer with Ms Campbell at the helm, than under her closest rival for the leadership, Mr Jean Charest, the environment minister. Mr Charest is only 34 years old, but his easy-going style and tireless grassroots campaigning have won him many admirers.

Ms Campbell has yet to overcome the impression in some Tory circles that she is an outsider who has not yet "paid her dues". She entered parliament only five years ago. Before that, she was a member of British Columbia's Social Credit party, which is far removed from the centre of power in Ottawa.

Ms Campbell presents herself as a new generation of politician unafraid of telling things as they are. For instance, she has readily admitted smoking marijuana in her youth (and inhaling). But some of her remarks have suggested a too-clever-by-half combativeness more suited to a university debating society than a national political campaign.

As one political analyst said on a radio chat show the other evening, "people don't like smart-asses." The contrast between twice-divorced Ms Campbell and the contented, family-man image projected by Mr Charest has also not been lost on the defence minister's rivals.

Despite the recent setbacks, Ms Campbell remains favoured to win the party leadership, though by a narrower margin than seemed likely a few weeks ago.

Her real test will be the general election, which must be held by November. The Tories and opposition Liberals are now running neck-and-neck in the opinion polls. In their appetite to regain power after nine years on the opposition benches, the Liberals have acquired a greater cohesion than has been visible for some time, having overcome internal dissension.

Their campaign effort received a boost last month with the appointment of Mr John Rae, a vice-president at Power Corporation in Montreal with respected organisation skills, as campaign leader.

They are confident that with a clear lead in Ontario and the Tory vote split with regional parties in Quebec and the western provinces, they have an excellent chance of returning to power.

The Tories on the other hand, will be banking on their youthful prime minister and a fresh set of faces in the cabinet. A flurry of tough anti-crime bills recently tabled in parliament provides one clue to the Tories' campaign platform. They will also be helped by an accelerating economic recovery with the lowest interest and inflation rates in 20 years.

Fed intervenes as yen strengthens

By James Blitz, Economics Staff

THE US Federal Reserve intervened twice on foreign exchange markets yesterday, buying the dollar, after the currency continued to come under strong selling pressure against the Japanese yen.

However, the intervention failed to stop the dollar falling to a new low close against the yen in London of Y107.80, from a previous Y108.60. The Fed's intervention followed similar action by the Bank of Japan in Thursday's Asian trading.

For the second day running, Mr Lawrence Summers, the US treasury undersecretary for international affairs, was quoted as saying that the US was not trying to manipulate the yen-dollar rate.

According to Mr Mark Austin, economist at Midland Global Markets in London, the yen could rise further against the dollar because of perceptions that Japanese life insurance companies are still long of the US currency.

However, Mr Mark Brett, economist at Barclays de Zoete Wedd in London, believes the yen buying is an over-reaction by dealers. "The market does not understand that the US is also interested in reducing the Japanese trade surplus by bringing down trade barriers and stimulating demand in the Japanese economy," he said.

Puerto Rico suspends its regional loan programme

By Canute James in Kingston

THE Puerto Rican government has suspended a programme of low-interest loans for its neighbours, threatening the viability of investment projects in the Caribbean Basin totalling about $700m.

Projects likely to be affected include $165m for new banana farms in Costa Rica, $100m to expand electricity services in Guyana, and $250m to develop and exploit natural gas fields in Trinidad and Tobago.

Announcement of the suspension by Mr Baltazar Corrada del Rio, secretary of state, followed a decision by the US House of Representatives' ways and means committee to approve changes suggested by President Bill Clinton to Section 936 of the Internal Revenue Code.

Section 936 allows federal tax exemption to Puerto Rican subsidiaries of US companies. Profits from these subsidiaries are deposited in Puerto Rican banks. Totalling about $15bn, these funds have become central to the island's financial stability.

The administration of the US possession had committed $100m a year of the deposits for low-interest loans to business projects in Caribbean Basin countries. Since 1985 Puerto Rico's neighbours have received loans from Section 936 funds totalling $650m.

US government officials say Section 936 costs the Treasury $2bn-$3bn per year, and Mr Clinton has proposed changing the tax break to a wage credit, in an effort to raise $7bn for the Treasury over five years.

Mr Corrada del Rio said Mr Clinton's plan would reduce the pool of 936 funds in Puerto Rico to about $4bn, and new lending to Caribbean neighbours "would not be prudent now".

He said the government's priority would be to use the funds for development projects on the island until the fate of Section 936 was known. The US Senate finance committee is to discuss the tax break in a fortnight.

Backward step in Latin America

Guatemala is only the latest state to see anti-democratic action, Stephen Fidler writes, but some countries are changing

LATIN America's new democracies look embattled. The bright new morning of 1991, when every country in Latin America and the Caribbean was being run by an elected government, has gone.

The idea that Latin America was at last going to become a democratic continent espousing free market principles, beloved of former US President George Bush and adopted by the Clinton administration, has taken a battering.

This week's suspension of the constitution in Guatemala by President Jorge Serrano follows closely on the suspension from office of Venezuelan President Carlos Andrés Pérez to face corruption charges. Two military coup attempts last year unsuccessfully tried to unseat Mr Pérez. Elsewhere in Latin America, Brazil's President Fernando Collor resigned to avoid impeachment for corruption at the end of last year. In April 1992, President Alberto Fujimori of Peru suspended the constitution.

The developments in Peru and Guatemala have underlined the immense difficulty of taking international action to reverse anti-democratic actions. This was most forcefully demonstrated in the case of Haiti, where the military overthrew elected President Jean-Bertrand Aristide in October 1991.

Economic sanctions imposed by the Organisation of American States have been largely ineffective and the military has not been persuaded to step down.

According to Mr George Philip, reader in Latin American Politics at the London School of Economics, the impression of international helplessness may have been accentuated by the current perceived weakness in US foreign policy, as exemplified by the anguished policy debate over Bosnia.

The role of the military in the region also gives cause for concern. The era of dictatorships headed by bemedalled generals may be over, yet in the 1990s the military in many countries prefers to exercise its power behind the scenes. "In Guatemala, you have an elected president suspending congress. It's very ambiguous; it makes it difficult to produce an international response," said Mr Kenneth Maxwell of the Council on Foreign Relations in New York.

Peru, for instance, regained access to loans from the international financial institutions after a new congress was elected. Yet the freedom of action of that congress continues to be severely constrained by the constant threat of military intervention.

Mr Serrano's move looked almost identical to Mr Fujimori's. He cited opposition in congress to economic reform, the influence of drugs traffickers and corruption as the reasons behind his "self coup". Like perhaps a third of Guatemalans, Mr Serrano is an evangelical Protestant, a group which helped bring Mr Fujimori to power in Peru. Both men preside over societies deeply divided on racial lines and both countries face leftist insurgencies.

Yet, according to Mr Victor Bulmer-Thomas, head of the Institute of Latin American Studies in London, there is an important difference. While the Peruvian military could make a reasonable case that its hand needed strengthening in the battle against the left-wing Sendero Luminoso guerrillas, the Guatemalan military remained almost unconstrained by the trappings of democratic government.

The military's role behind Mr Serrano's action could be a warning signal to future governments not to try to meddle in its affairs, for example in the field of human rights.

Even in democratic Brazil the military has been growing restive, pressing for more funds and criticising the record of the civilian government.

Another important common thread is the difficult relationship between the president and congress in many countries. The problems in making these relationships work grow when the judiciary lacks independence or is perceived as weak or corrupt.

Corruption clearly remains a pretext for military intervention in Latin America. In some countries, the military is responsible for a good part of it and plays a role in drugs trafficking.

In Brazil and Venezuela, however, the corruption cases reflect in part a genuine change towards a more open and accountable society. While the motivations of those pursuing charges against the heads of state were mixed, there is at least a hint that politicians in some countries have lost their immunity from prosecution. The political tensions emerging in both countries over the last two years are partly due to a clash between genuine democratic tendencies and old-style oligarchic politics.

In many Latin American countries, the outcome of this clash is yet to be resolved. The moves in Guatemala do not provide much cause for optimism, but if Latin America no longer looks like the democratic continent it did two years ago, then that was because two years ago appearances deceived.

The fact is, elections do not make for democracy, but are part of a process which needs to be supplemented by a host of other factors, such as judicial independence and a respect for the rule of law.

Pakistan's parliament backs Sharif

By Farhan Bokhari in Islamabad

PAKISTAN'S newly reinstated prime minister Nawaz Sharif won a sweeping victory in a crucial vote of confidence yesterday after Ms Benazir Bhutto, the opposition leader boycotted the emergency session of parliament.

Diplomats said the triumph removed lingering doubts about Mr Sharif's parliamentary strength a day after an historic supreme court decision overturned his dismissal by President Ghulam Ishaq Khan last month on charges of nepotism and terrorising his opponents.

In all 123 members of the 217-seat lower house of parliament, the national assembly, voted in his favour.

The prime minister repeated his call to the opposition to join forces to curtail powers that President Ishaq Khan used to sack both Mr Sharif and Ms Bhutto.

Ms Bhutto, and dissident politicians who left Mr Sharif's camp last month, met to discuss ways of forming a new anti-government alliance.

Mr Sharif extended an olive branch to his opponents, saying he was prepared for discussions with anyone to seek new constitutional reforms.

His opponents are unlikely to be able to challenge his authority in parliament, but the government could face heated debates and fierce criticisms, senior officials said.

The extent to which that could intensify political pressure on Mr Sharif remains unclear but many political observers remain convinced that Mr Sharif's most difficult political challenge could yet come in the form of new conflicts with Pakistan's four provincial governments.

The provinces are widely known for their loyalty to Mr Khan.

Elsewhere in Pakistan there were signs that business confidence was returning after the restoration of the government.

The Karachi stock exchange, Pakistan's largest stock market, rose by 29 points ysterday, its largest rise on a single day this year.

Stockbrokers attributed the market's rise to expectations that Mr Sharif will press ahead with his programme of economic reforms.

Japanese plan for linear cars in US

A JAPANESE company affiliated with Japan Air Lines, and Grumman of the US, are considering joint development of linear motor cars in the US, writes Michiyo Nakamoto in Tokyo.

HSST, which is a company established to develop magnetic levitation linear motor cars, and Grumman, the US defence manufacturer, are working towards agreement on joining forces to develop the next generation public transportation vehicles.

The two sides are still discussing what form co-operation between the Japanese and US companies might take but a joint venture is one possibility.

One plan that is being discussed is to build a line between New York's JFK and La Guardia airports.

HSST and Grumman have already been in discussion with the New York and New Jersey Port Authorities on a plan to build a linear motor car line that would eventually run into New York city itself.

Linear motor cars are an advanced public transportation system which can run at speeds of 100 to 200 kilometres per hour. Japan has been working on developing linear motor car technology for several years.

Egyptian militants sentenced

A military court yesterday convicted nine Moslem extremists of attacking foreign tourists and a cabinet minister and sentenced six to hang, AP reports from Haekstap, Egypt .

Major General Ahmed Abdullah sentenced two others to life imprisonment at hard labour, which in Egypt amounts to 25 years, and one to 10 years

Hours before the verdict was announced, an attack by suspected militants wounded five people near Cairo.

An Interior Ministry official said three police and a husband and wife who were stopped at a police checkpoint were wounded in the early-morning bombing.

The court ruling brings to 22 the number of extremists sentenced to death since military courts began hearing trials of Moslem fundamentalists late last year.

De Klerk seeks foreign support

President F.W. de Klerk appealed yesterday for international support to develop the South African economy and offered in return to help tackle the problems of Africa, Reuter reports from Cape Town.

Mr de Klerk said South Africa needed full access to World Bank and International Monetary Fund facilities, fair access to international finance and world markets and increased foreign investment to lift its economy out of recession.

After a speech to members of the World Economic Forum, Mr de Klerk said South Africa was offering its partnership in finding solutions to Africa's problems.

Some 130 business executives from the US, Europe, Australia and Africa are attending the forum.

Ramos considers new N-plants

President Fidel Ramos has ordered energy officials to study the possibility of building new nuclear plants to help solve a power crisis, Reuter reports from Manila.

The Philippines has mothballed its first nuclear plant, built by Westinghouse Electric in 1985, calling it unsafe. The US company has denied the charge, and a Philippine claim for compensation is pending before an international arbitration panel in Geneva.

Mr Ramos last night directed Mr Delfin Lazaro, the energy secretary, to study the feasibility of putting up new nuclear plants, a presidential palace statement said.

Kurds seek access to Turkish lira

By John Murray Brown in Istanbul and Reuter

Withdrawal of the 25-dinar note has caused hardship in Kurdish-controlled north Iraq Trafalgar Cohn

TURKEY is evaluating a proposal to circulate its national currency, the lira, in Kurdish-controlled northern Iraq, but has not yet made a decision, a senior Turkish official said yesterday.

"The Turkish government is examining the possibility of allowing large-scale use of the lira in north Iraq, but has made no decision on the matter," Mr Volkan Vural, a Foreign Ministry spokesman said.

Mr Vural told reporters at a news conference in Istanbul that the Kurds in northern Iraq were already using the lira along with other convertible western currencies.

Some Kurdish groups in north Iraq have proposed that Turkey allow wide use of the lira in the Kurdish-controlled region after Iraq withdrew the premium-priced 25-dinar notes from circulation earlier this month.

The withdrawal has blasted a hole in the economy of the north, already all but dependent on western aid ferried in from neighbouring Turkey.

If the speculators in Jordan and Iraq's other Arab neighbours were Baghdad's main target, the decision to withdraw the note from May 6 has also seriously hurt the Kurdish region, where the note was the main instrument for savings and for trade with Turkey and Iran.

Mr Mohamed Zejjari, the United Nations special co-ordinator for Iraq, who was in Ankara yesterday, reportedly told western officials the Iraqi move was "understandable" and played down the impact on the Kurds. However, a fact-finding mission by Turkish and western diplomats this week concluded that as much as a third of the wealth of the self-declared Kurdish region had evaporated.

The old 25-dinar note, manufactured in Switzerland before the Gulf war, has been replaced with a new inferior-quality note, which because of UN sanctions had to be printed on President Saddam Hussein's own presses.

Baghdad finessed the speculators and the Kurds by sealing the country's borders, thus preventing those outside from being able to benefit from the week-long currency amnesty when old notes could still be exchanged.

On June 1, government donors meet in Geneva, in the wake of a new appeal by the UN for $500m for Iraq.

Diplomats say humanitarian needs in the north have sharply increased, as the note's withdrawal has devastated Kurdish savings, and caused a 50 per cent rise in prices and a 50 per cent depreciation of the dinar against the dollar.

Kurds estimate that a third of the entire currency in circulation in the north was in 25-dinar notes. In a surprisingly orderly exercise, holders of the 25-dinar note were told to register with local banks. About 1.3bn Iraqi dinars in 25-dinar notes was registered, each holder issued with a certificate, locally known as a "death certificate".

Money traders in Erbil and other cities refused to handle the note this week.

It was, as one diplomat put it, "tragic to see the market mechanism at work."

For western governments, the move marks a further tightening of Iraq's economic embargo on the Kurdish region.

No western power, Turkey least of all, wants to see an independent Kurdish state in north Iraq for fear of Iranian exploitation.

But the allies are keen to support the region, not least to avoid another exodus of refugees, the main reason for the continued allied air presence in south-west Turkey, the so-called operation Provide Comfort.

There is concern now that Baghdad may take similar action to withdraw the 5-dinar and 10-dinar notes, the principal denominations for transactions in the local market.

China on the defensive over Tibet

Tony Walker on Beijing's rising sensitivity to international pressure

Tibetans in New Delhi carry an effigy of Chinese premier Li Peng in a protest over Chinese curbs on demonstrations in Tibet

THE DALAI LAMA, the exiled Tibetan spiritual leader, this week said he had been "deeply distressed" over China's use of force to put down demonstrations in Lhasa, and also over the "deteriorating situation" there.

But at another level, the exiled leadership in Dharmsala, northern India, must be deriving some encouragement from the recent turn of events. On few occasions since the Dalai Lama fled into exile in 1959 after the failure of an armed rebellion against Chinese rule has the Tibetan issue received such favourable attention in the west.

Beijing itself is under considerable diplomatic pressure over Tibet and other human rights issues; and this at a moment when it is particularly vulnerable to such pressure.

Difficulties China faces persuading the world it is doing its best to improve the lot of Tibetans were underscored last weekend when a European Community fact-finding mission ended in recrimination after reports surfaced alleging that the authorities had detained two Tibetans who had wanted to make contact.

Chinese denials that the arrest of a Tibetan tour guide and a monk had anything to do with the presence in the region of the EC mission were not especially convincing. A foreign ministry spokesman in Beijing accused the two of engaging in separatist activities.

Riots in the streets of Lhasa followed a day after the EC envoys returned to Beijing which merely served to deepen impressions that all was not well on the roof of the world. The EC report on its investigations can hardly avoid some form of censure, thus multiplying bad news on the human rights front for China. The Tibet issue is unlikely to go away.

In Beijing, a western official who monitors human rights issues, said that "unless the Tibetans get some real autonomy, there's not going to be peace. We can't see light at the end of the tunnel."

Adding to pressures on China are the issues of its trading status with the US, and also its attempts to secure nomination for Beijing to stage the 2000 Olympiad.

Both these issues have afforded China's critics in the west additional leverage on human rights, much to Chinese consternation.

US congressmen have used renewal of China's Most Favoured Nation trading status as the pretext for a strong push on Tibetan rights. Congresswoman Nancy Pelosi, introducing a revised bill last month that would attach conditionality to MFN renewal, said the bill had "placed more emphasis on the political situation in Tibet and the Chinese threat to Tibetan culture."

Among these provisions is one that demands that China cease "financial and other incentives to encourage non-Tibetans to relocate in Tibet." Other items call on Beijing to adhere to the Universal Declaration of Human Rights and to cease religious persecution in China and Tibet.

The fact that references to Tibet in the latest Pelosi bill have been stiffened by comparison with the 1992 version attests to the success of the Tibet lobby to push its case, and to attract influential supporters inside and outside Congress.

Since his 1989 Nobel peace prize award – the same year as the June 4 massacre of pro-democracy activists in Beijing's Tiananmen square – the Dalai Lama has also become more visible internationally. National leaders who might have been reluctant to receive him for fear of angering China, now appear more than willing to risk the diplomatic fallout.

Thus President Bush met the exiled Tibetan spiritual leader last year, and Mr Clinton, along with Vice-President Al Gore, has done so this year. Mr Douglas Hurd, the British foreign secretary, received the Dalai Lama earlier this month in London – a meeting that drew protest from Beijing.

Beijing's options regarding Tibet would seem to be rather limited, since there is no sign that it might be willing to address the autonomy issue. Indeed, there has been little progress on that front since Mr Deng Xiaoping, China's paramount leader, observed in the late 1970s that everything was negotiable on Tibet except independence or separation.

China's most authoritative recent statement on Tibet came in September last year with its white paper "Tibet – Its Ownership and Human Rights Situation," which unequivocally re-stated historical claims to the region, but at the same time held out something of an olive branch to the Dalai Lama in a form of words employed often in the past.

"So long as the Dalai Lama can give up his divisive stand and admit that Tibet is an inalienable part of China, the central government is willing to hold talks at any time with him," the White Paper, issued by China's State Council, or "cabinet," said.

In the meantime, China is seeking to counter waves of negative publicity by giving added prominence in its official media to "positive" developments in Tibet: thus, recent New China News Agency despatches reported that Tibetan officers are assuming more responsibility in People's Liberation Army ranks, Tibetan women are becoming more fashion-conscious and more lamas (religious figures) are taking the capitalist road by going into business.

It is this latter development – the commercialisation of Tibet – that may lie behind some of the recent unrest, together with the effect of rising prices in a region whose incomes have traditionally lagged well behind other more prosperous areas. Indeed, last Monday's disturbances are said to have begun as a protest against increases in grain prices, and then to have developed nationalist overtones.

The economic opening of Tibet has also brought with it something of a "goldrush" of Chinese merchants who have sought to exploit opportunities in a frontier area where competition may not be as hot as elsewhere in China.

In the process, some ethnic Chinese in Tibet have become conspicuously wealthy, fuelling resentment of less well-off Tibetans.

What may prove even more of a threat than Han chauvinism to Tibetan culture and respect for the spiritual leadership of the Dalai Lama in the long run is modernism in all its forms. Fabled Lhasa, Shangri-La as it has often been described, now boasts more than 70 Karaoke bars, and prostitution and drug-taking is said to be rife.

A western human rights activist was recently quoted as saying after a visit to Lhasa: "It's the degradation of society – alcohol, bars, prostitutes. Tibetans call it a Chinese conspiracy, but it's probably not. Full-blown economic development is the policy."

Israel sells 16.5% of shares in Bank Hapoalim

THE Israeli government yesterday sold off 16.5 per cent of its shares in Bank Hapoalim, the country's largest bank, raising an immediate Shk360m ($132m), our Jerusalem correspondent writes.

The sale, which was 120 times over subscribed, is expected to yield a total of Shk783m once various share options are realised over the coming year.

Yesterday's sale marked the first time that shares in Hapoalim have been traded on the Israeli stock exchange for almost a decade. Shares in the big Israeli banks collapsed in October 1983 after years in which they inflated their own share prices, leaving the Israeli government with little option but to bail out the sector by taking a controlling interest in the banks.

Until yesterday, the government owned 97 per cent of Hapoalim and the sell-off represents only the first small step on the government's long road to divesting itself of all the shares in the major banks it stepped in to buy 10 years ago.

Yesterday's sale was originally scheduled for three months ago, but was delayed following a report by the State Comptroller's Office which recommended that the government first approved proposals for a radical reform of the banking system.

Last month, the government agreed a series of proposals designed to limit the power of the major banks. Among the reforms are measures limiting the banks' holdings in non banking subsidiaries, requiring major banks to sell off smaller subsidiaries, and providing for separate managements to run provident and mutual funds owned by the banks.

Further sales of government shares in Bank Hapoalim, which has total assets estimated at Shk4.75bn, are anticipated in the not-too-distant future.

The next bank shares sale, however, is likely to involve Bank Leumi, Israel's second largest bank.

Treasury officials say that the government is expected to sell off a 20 per cent holding in Leumi within the next few months.

● Israel yesterday said it freed 250 Palestinian detainees in a Moslem holiday gesture but Arabs of the occupied Gaza Strip said the army simultaneously tightened a ban on entry to Israel, Reuter reports from Gaza.

"Of the 250 detainees released today, 171 of them were residents of the West Bank and the rest residents of the Gaza Strip," an army spokeswoman said.

She said other detainees would be released on Friday.

Officials have announced Israel would release a total of 280 Palestinians ahead of next week's *Eid al-Adha* feast. They said the step applied only to minors, the ill, women and the elderly, and those about to complete sentences for victimless offences.

Relatives gathered at a Gaza Strip checkpoint to greet detainees released from a prison in southern Israel. Some of the detainees said they were due to be freed in a few days anyway.

As some prisoners tasted freedom other Palestinians who had managed to go on working in Israel despite a two-month ban on entry found themselves barred again.

Palestinians said over the past three days soldiers had been confiscating entry permits in Gaza without explanation.

By yesterday about 1,000 permits had been taken.

Japanese MPs find the status quo has a certain appeal

Robert Thomson previews party talks on electoral reform provoked by earlier scandals

AFTER a year of scandal-prompted promises to reform Japanese politics and haggling between government and opposition parties over the shape of that reform, the head of a parliamentary reform committee has sagely concluded that "the best compromise is to keep the current system".

The fate of reform will be partly determined today at a "summit" of Japan's opposition parties, very willing to discuss radical changes to the country's tainted electoral system, but unwilling to accept a new system reducing their influence and, in particular, threatening present MPs with unemployment.

Reaching a political consensus is a refined form of theatre in Japan. Principles are paraded on stage and the lines are delivered with such conviction that the casual spectator gets the impression that Mr Kiichi Miyazawa, the prime minister, and other members of the ruling Liberal Democratic Party are genuinely intending to dismantle the system that sustains them.

The urgency surrounding the political reform debate, and the theatre of politics, was of Italianate proportions three months ago. The "don" of Japanese politics, Mr Shin Kanemaru, was indicted for tax evasion, and prosecutors found a list drafted by construction companies rating politicians from A+ to D, according to their clout – the sort of list that causes more embarrassment if your name is left off.

As with so many scandals, the prosecutors' office controlled the flow of controversy-stirring evidence, leaked strategically to the Japanese media, whose reports angered the public and forced Mr Miyazawa to devote his term in office to "the cause of political reform".

In highlighting the cosy links between construction companies, politicians and public works contracts, the prosecutors confirmed what most Japanese suspected. The evidence suggests that a small percentage of many public works contracts is essentially regarded as a LDP donation by the bid-winning, and sometimes bid-rigging, construction company.

The prosecutors had tapped a rich vein of scandals by raiding the offices of construction companies. Mr Kanemaru was not the only Japanese politician to have accepted funds from the construction industry, whose level of entertainment expenses, about Y8 (4 pence) per Y1,000 of sales, is the highest of all Japanese industries.

Having made the point about bid-rigging and having made an example of Mr Kanemaru, who suffered the indignity of being refused admission by Tokyo hospitals for a check-up after his release on Y300m bail, the prosecutors retreated. Construction executives ceremonially apologised and promised never to rig bids again, and the reform debate rambled off course.

That does not mean Japanese think the need for reform has passed, but the flow of prosecutor-leaked headlines has dried up, and Mr Miyazawa is under no immediate pressure to respond to allegations. An annual survey by the prime minister's office released last month found that 70.1 per cent of 10,000 respondents thought public opinion was not properly reflected in national politics.

About 81 per cent of those aged between 30 and 34 said their opinions were not reflected. Another poll found that 10 per cent of voters support the Japan New Party, a recently-formed reformist group.

The largest opposition party, the Social Democratic Party of Japan recorded only 9.2 per cent in the same poll, down 3.7 per cent on the previous month, while other opposition parties, including Komeito (the Clean Government Party) and the Democratic Socialist Party, had their ratings trimmed.

These parties have a chance today to improve their popularity by reaching agreement on a new electoral system. The LDP is proposing single-seat constituencies, which would ensure it a hefty majority, while opposition parties can't agree on a mix of proportional representation and single-seats.

Compromise proposals suggested by the LDP have a touch of the absurd. An LDP reformist group suggests that a blend of proportional representation and single-seats be concocted to ensure that each party has an unchanged number of MPs. Another LDP suggestion is that the lower house, which is more powerful, be single-seat and the upper house be proportional, an idea rejected by the opposition.

The emphasis on changing the electoral system is a recognition that the present multi-seat constituencies system encourages scandal by stimulating the fund raising competition among the LDP's factions. Meanwhile, the Social Democratic Party is habitually unable to select more than one candidate, condemning itself to eternal opposition, as sitting members fear that running two candidates will split the party's already small vote.

Professor Rei Shiratori, dean of political science at Tokai University, is certain that the government and opposition will not reach a consensus this year: "It is totally impossible for change to happen this time around. There must be a general election before February, and the parties are already choosing their candidates. They don't really want change."

The prospect of nothing happening challenges a breakaway LDP faction formed by Mr Tsutomu Hata, the former finance minister, and Mr Ichiro Ozawa, the former LDP secretary-general and famed fixer, who threatened to form a new party if Mr Miyazawa does not proceed with reform. It is possible that the faction, in co-operation with opposition parties, could win a no-confidence vote in the parliament and force a general election.

But it is also possible that the faction would be badly bruised at the polls, as Mr Ozawa is popularly seen as close to the fallen Mr Kanemaru and is having difficulty raising the cash for an election campaign. Even the LDP's most ardent reformers are reluctant to discard the security of the system that made them.

NEWS: UK

Employers expect UK upturn to strengthen

By Peter Marsh, Economics Correspondent

BRITAIN is likely to enjoy a manufacturing-led recovery which will gather strength later this year, according to the Confederation of British Industry.

The employers' organisation says order books have strengthened considerably in recent months, with exports showing particular growth due to greater competitiveness caused by the pound's devaluation.

Mr Andrew Sentance, the CBI's economics director, warned that the big recent weakening in demand among Britain's trading partners in continental Europe – largely caused by the deepening German recession remained a threat to a sustained upturn.

While the CBI has become more bullish about a recovery in recent months, it says demand among consumers and industry remains weak.

In particular, stocks of finished goods in factory warehouses are fairly high, indicating any extra sales of manufactured products may take some time to spark busier production lines.

In its latest quarterly forecast, the CBI says UK gross domestic product will increase 1.6 per cent this year and 2.6 per cent next year. In its previous forecast in March, it said the corresponding figures would be 1.4 per cent and 2.4 per cent.

Manufacturing output is expected this year to increase by a respectable 3 per cent, helped by the effects of the devaluation, higher productivity and sluggish growth in wage costs.

CBI economists, however, warn that order books are still rated as "below normal" by 36 per cent of businesses, with just 14 per cent saying they are above normal.

Base rates are likely to fall from 6 per cent to 5.5 per cent this year, but may need to be increased to 6.5 per cent in the second half of 1994 as the recovery strengthens to damp inflationary trends.

Holiday code in disarray after collapse

By Michael Skapinker, Leisure Industries Correspondent

NEW REGULATIONS for the package travel industry were in disarray yesterday after it emerged that Mr Michael Heseltine, the trade and industry secretary, had told a holiday company it did not have to protect customers' money because it allowed them to specify what ferry service they wished to use.

Mr Noel Josephides, chairman of the Association of Independent Tour Operators, said if Mr Heseltine's argument were accepted, "most of our members wouldn't require bonding". He said virtually every company selling French holidays allowed customers to choose the ferry crossing they wanted.

The company, SFV Holidays, which went into liquidation last Friday, had taken 800 bookings for French self-catering accommodation this summer. The company is unbonded.

Mr John Cullom, managing director, said yesterday he hoped to announce early next week that the company had been sold and that customers' holidays were safe.

He said the company had believed that it was obliged to comply with regulations which came into force at the beginning of the year, enforcing an EC directive.

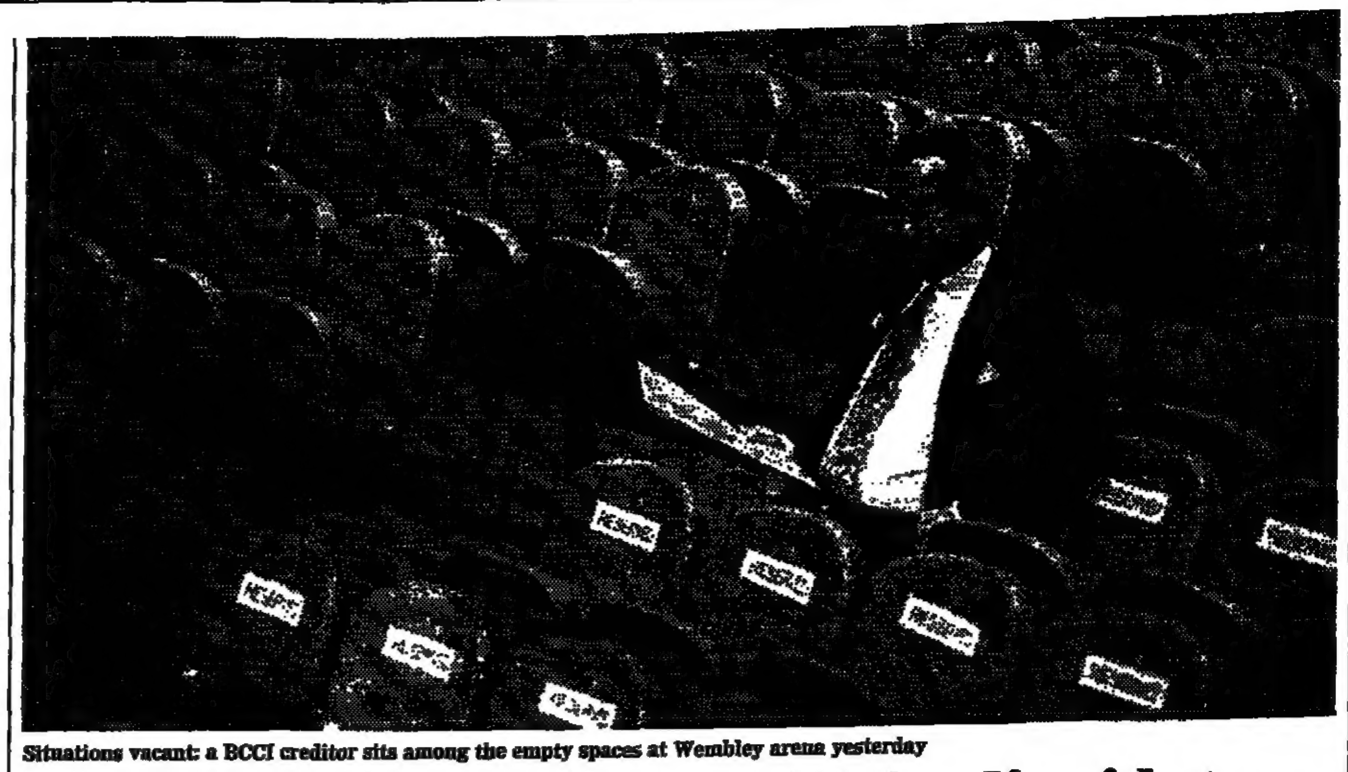
Mr Cullum said Mr Heseltine's view, set out in two letters that the company did not have to comply "surprised us enormously".

Oxfordshire Trading Standards department said trading standards officers had told the company that if it sold ferry crossings as well as holidays, it had to comply with the regulations.

Companies can arrange a bond through an organisation such as the Association of British Travel Agents or the Aito, take out an insurance policy, or hold customer deposits in separate accounts.

SFV's application to join Aito was rejected last October. It is believed Aito had come across several complaints about SFV.

SFV wrote to Mr Patten in January and March last year saying it was having difficulty complying with the regulations as it had been refused Aito membership.



Situations vacant: a BCCI creditor sits among the empty spaces at Wembley arena yesterday

Angry BCCI creditors criticise liquidators

By Andrew Jack

HUNDREDS of creditors in the collapsed Bank of Credit and Commerce International yesterday voiced their frustration with the liquidators from accountants Touche Ross during a meeting at Wembley arena in London.

Many of the creditors – mainly from the Asian community – asked for details of how soon and how much they might be paid during heated exchanges at the indoor stadium, the second largest in the UK.

However, the impact of the objections raised by the audience was diluted by the small number of creditors attending the meeting – only 524 against expectations of several thousand.

The meeting was convened following a court decision ruling that a a formal creditors' committee should be elected, but the liquidators decided to also give a presentation and answer questions.

Several creditors angrily denounced the fees charged by Touche Ross, which currently total more than $133m on the liquidation worldwide. "Why don't you just go home and give us the rest of the money?" one demanded.

A number called for litigation against the government of Abu Dhabi, the majority shareholder in the bank, instead of the proposed $1.2bn-$2.2bn contribution negotiated between it and the liquidators.

Mr Christopher Morris, one of the liquidators who also chaired the meeting, said the agreement was the best chance for creditors' to receive money, and said a court appeal filed in Luxembourg by three creditors to reject the agreement was "regrettable". Their action would merely delay any payments, he claimed.

He said if the agreement was approved, creditors could expect to receive 15p in the pound by next year and "conservatively" 30p-40p eventually.

Hurd backs efficiency of diplomats

By Robert Mauthner

MR DOUGLAS Hurd, foreign secretary, yesterday vigorously defended Britain's foreign service against charges that its cost was out of all proportion to the usefulness of the work that it does on behalf of the country.

Speaking to the Royal Institute of International Affairs Mr Hurd underlined the greatly increased burden assumed by diplomats as a result of Britain's membership of such organisations as the EC.

The greater work-load borne by members of the foreign service went hand-in-hand with rigorous cost and staff-cutting measures applied over the past few years, with the prospect of more reductions to come.

France, Germany and Italy all had more overseas posts and diplomatic staff overseas than Britain. Both the US and Germany had, or intended soon to open posts in all the former Soviet Republics, while Britain was represented only in some of the most important.

Since 1990, the FO had cut 218 jobs, most of them communications personnel in the US and Western Europe.

In addition the number of diplomatic staff in the US was likely to be cut by over 11 per cent. Diplomatic jobs in Africa and Latin America have also had to be cut back.

The UK government sees 'rational hope' in the latest local election results from Northern Ireland, reports **Tim Coone**

Voting for dialogue from behind the barricades of Ulster

THE POLITICS of Ulster is like trench warfare, a classic conflict of attrition in which the winner is the side which holds out the longest, regardless of the costs.

Like the fortified hilltop army posts that dot the province, the political parties there have also barricaded themselves in. Well-entrenched orthodox positions are safer than risky untested strategies.

As ministers from both the British and Irish governments have been quick to point out, last week's district council elections in the province have done little to change that landscape.

But in the words of Sir Patrick Mayhew, the Northern Ireland secretary: "The vast majority voted for dialogue" – a fact from which he said he drew "rational hope".

Indeed, 58 per cent of the electorate voted for the UUP, SDLP and Alliance parties, the three parties most committed to the so called Anglo-Irish talks aimed at drawing up a new political structure for the administration of Northern Ireland to replace direct rule from London.

The uncomfortable fact, however, is that almost a third of the electorate voted for parties opposed to the current talks agenda. Furthermore 12.5 per cent voted for Sinn Fein, the political wing of the Irish Republican Army, which insists on a place at the negotiating table.

A further 17.2 per cent voted for the Democratic Unionists, who made it an electoral issue not to be involved in talks until the republic of Ireland amended two articles of its constitution, thereby dropping its territorial claim to the province.

To break the log jam the British government is to drop its hitherto neutral stance and prepare its own blueprint for the province.

Sir Patrick, though, says he will not bring out this particular football for it to be kicked around until all the players from the last round are back on the field. The preconditions set by the DUP for its own participation could therefore prevent this proposal from ever seeing the light of day.

Mr John Hume, the SDLP leader, is meanwhile continuing a series of talks with Mr Gerry Adams, the Sinn Fein president, in the hope of eventually bringing them into the talks process on the basis of an agreed political strategy.

The move has drawn taunts from opponents north and south of the border, although significantly both governments consider his motives to be sincere. Mr Dick Spring, the Irish foreign minister said this week: "Mr Hume is trying to get Sinn Fein away from the path of violence. I wish him every success in that." Mr Richard McAuley, a Sinn Fein spokesman, said: "We want a consensus agreement in which all sides will have to compromise, and part of which will be a commitment by the British to disengage."

Dublin is now drawing up its own proposals which seek to counter what is being perceived as an "imbalance" appearing in the Mayhew blueprint. In the wake of last week's district council elections therefore, in which the extremes on both sides emerged strengthened, it appears that the nationalist and unionist camps may now consolidate to take different, but possibly converging, tacks.

In any new negotiations the Unionists, backed by the UK government, would probably seek as a priority an end to the Republic's territorial claim to the province; the nationalists, possibly backed by Dublin, might seek some form of "disengagement" by Britain.

Accommodation of both viewpoints could conceivably be reached through some form of confederated solution. The challenge will be to get all parties to withdraw from their maximalist positions and to get the concept of compromise on to the agenda.

■ Major opts for tough-talker ■ Economists urge public spending cuts ■ Howard soothes right

Pro-European who chose himself for the treasury

By Philip Stephens and Michael Cassell

MR KENNETH Clarke chose himself. Once the pressure for Mr Norman Lamont's departure from No 11 Downing Street became *irresistible*, Mr John Major had little choice but to call for the confident, combative and brash MP. The *toughest job* in the government demanded the government's toughest operator.

Mr Major needs, *above all*, a credible economic policy. He wanted a chancellor who could take the tough decisions on taxation and spending inevitable in the November budget – and then deploy the political punch necessary to sell them *to the* voters. Mr Major's own future depends on his new Downing Street neighbour getting it right.

Mr Clarke knows how to punch. In previous political *incarnations*, he has relished taking on the medical profession, the teachers and the police, hell-bent *on overturning* entrenched ideas and attitudes.

His political opponents call *him arrogant*, callous and patronising and point to a patchy legacy which has failed to match the promise; his *fans* see a sharp mind and an all-important common touch.

Mr Clarke's appointment will win wide applause across the centre and left of the Tory party. But it is not without its risks. The new chancellor, a *self-proclaimed* pro-European and a staunch believer in the value of managed exchange rates – is deeply mistrusted by the recalcitrant Tory right.

With the government's supporters at Westminster deeply divided by the battle over Maastricht, the right will demand guarantees that Mr *Clarke* will not seek to return sterling to the European exchange rate mechanism (ERM).

For the short-to-medium term, the new chancellor will be ready to re-assure them. He *remains committed to the* principle of a stable exchange rate and believes that Britain will not be able to escape linking its currency to those of its partners. But he is politically astute enough to realise that the Tory party at Westminster would be broken irrevocably by an early return to the European Exchange Rate Mechanism.

It was no accident that two weeks ago Mr Clarke said he saw little prospect of the pound rejoining the system before the next election.

Like most of the generation of Tory politicians who could once be described as "wet", Mr Clarke has long since been persuaded that "caring Conservatism" is only possible if inflation is kept under control.

His first act as chancellor, therefore, will be a re-affirmation of the central policy objectives of containing inflation and of reducing the borrowing requirement.

Friends say the government's political credibility alone means there is no prospect of any loosening of the public spending framework now in place.

Nor does Mr Clarke have great room for manoeuvre over taxation. The increases announced by Mr Lamont in March would be impossible to reverse.

Mr Clarke will, however, re-examine all the remaining tax options before November. The new chancellor's friends believe that if he considers the level of borrowing still to be too high, the man who has religiously proclaimed the broader, *economic benefits of* lower personal taxation would consider at least a temporary rise in income tax.

Mr Clarke's elevation also offers the prospect of a pivotal and influential partnership with Mr Michael Heseltine, the trade and industry secretary. Mr Major's new industrial strategy, based on a partner*ship between government and* industry to boost Britain's competitiveness, was always going to be inhibited by a less than totally convinced Treasury. Now, two ministers in key departments are of like minds.

At 52, Mr Clarke has emerged – Mr Douglas Hurd aside – as the strongest member of the cabinet. During the days of crisis following sterling's ejection from the ERM, he was the one asked *to* represent the government in TV interviews.

From then onwards, inside as well as outside the government, he has been the guardian of the cabinet's collective nerve. He has now been annointed Mr Major's heir apparent.

Mr Clarke has wanted the Treasury since sterling's igno*minious departure from the* ERM. Summoned to share in the decision to withdraw the pound (one present commented later that he had been asked "to put his hands in the blood") he was horrified at the way the core of economic strategy was being swept aside by the speculators.

He told friends later that the technicians – the Treasury mandarins – had taken charge as the politicians stood by powerless. He was *appalled* when officials demanded that their political masters simply "sign on the dotted line".

That reaction will be the key to the way he handles the Treasury. Mr Clarke is a political activist. He says: "All I ever do is apply policies and principles which I believe are beneficial." The Mandarins are in for a busy time.

Exchange market fears Clarke will cut interest rates

By Our Industrial and Economic Staff.

INDUSTRY and the City of London's financial institutions were bursting with advice for the new chancellor yesterday as sterling fell on foreign exchange markets amid fears *of an interest rate cut*.

Professor David Currie, head of economic forecasts at London Business School, and one of the "seven wise men" advising the treasury said: "He has got to carry further the policy of getting the *budget deficit* down" and take "decisive action" on threat of inflation.

Mr Roger Bootle, chief economist at Midland Bank, said the new chancellor should "substantially cut" public spending to pull back the *rising* government deficit which is expected to be about £50bn this financial year.

He said greater openness in policymaking was required, in particular to find out exactly what went wrong last autumn when Britain was forced to leave the ERM.

By contrast, Mr Joe Dwyer, chief executive of Wimpey, the construction company, called for a more expansionary policy. "Mr Clarke must now deliver the economic strategy for sound and sustainable growth which we were prom*ised by the prime minister*," he said.

Shortly after Mr Clarke's appointment was announced on wire agencies, the pound fell 2¾ pfennigs against the D-Mark at one stage, reaching a low of DM2.4950. It later *closed at DM2.5075. Against* the dollar, it rose 0.95 cents to 1.5550. Gilts and shares ended little changed on the day.

Some industrialists lined up with the city economists. Mr Peter Morgan, Director General of the Institute of Directors said "The priority of the chancellor has to be to keep inflation under control."

Mr Martin Taylor, chief executive of Courtaulds Textiles said that public finances needed to be brought under control before there was a sterling crisis. "If this [Mr Clarke's appointment] is the *way of securing party unity* behind difficult and painful measures, then it had to be done."

On environment, where Mr John Gummer takes over from Mr Michael Howard, Mr Charles Secrett, director of *Friends of the Earth*, said "the key test is whether Gummer can win battles with the other ministries, particularly transport and the DTI". Ms Janet Langson director of the water services association, which represents the 10 privatised water companies, called for "clear decisions" from Mr Gummer *over relations* with Ofwat, the government's water industry watchdog.

Lamont leaves the one job he always wanted

By Peter Norman, Economics Editor

WHEN Mr Norman Lamont became chancellor of the exchequer in November 1990, he got the job that he had always wanted.

Yet few post-war British politicians have had such a rough ride in one of the great offices of state. He would be less than human not to feel more than a little embittered.

Mr Lamont has made much of the fact that finance ministers cannot expect to be popular. But that unpopularity is something that a politician carries off *more* easily when equipped with a suitable aura of gravitas.

This eluded him. Instead his chancellorship was *punctuated* by stories that were sometimes sometimes comical but invariably damaging.

But Mr Lamont's chancellorship was never going to be easy. He took over stewardship of the economy *just* as it was moving rapidly into recession.

Unemployment, at 1.75m, was starting a rapid rise that was to lift the jobless level to about 3m and bring the grim experiences of loss of job and home to many *thousands* of Tory voters in the south of England.

At the *same* time, the UK's public finances were beginning the slide that has left the gov*ernment* with a borrowing requirement of £1bn a week.

Worse, Mr Lamont's scope for policy action was severely limited by Britain's *entry* into the European exchange rate mechanism in October 1990 at the *ambitious* central rate of DM2.95 to the pound.

As Britain was sliding into recession, Germany was struggling to control the *inflation*ary boom triggered by unification. The UK became saddled with tough *monetary* conditions that were set by the Bundesbank.

But the chancellor's problems were compounded by his knack of saying the wrong thing at the wrong time.

A light hearted answer – *"Je ne regrette rien"* – to a question during the recent by-election campaign left the impression that the government was uncaring.

A Euro-sceptic by nature, Mr Lamont mishandled relations with some of Britain's EC partners and in particular with Mr Helmut Schlesinger, the German Bundesbank president. His attempt to force the Bundesbank to cut its interest rates was an important element in the worsening of relations between the two countries ahead of Black Wednesday.

And yet, his chancellorship was not without its achievements. Freed of the ERM constraints, he presided over a sharp fall in bank base rates and only last week inflation, as *measured* by the retail prices index, had fallen to its lowest level for nearly 30 years.

The economy, stimulated by the degree of *monetary easing*, returned to growth. Although Mr Lamont can claim little credit for recovery, the UK is likely to be the fastest growing member of the EC this year.

In the realm of fiscal policy, Mr Lamont *has* been an innovator. However, it is doubtful that he will go down as a sig*nificant* tax reformer.

Each of his three budgets contained surprises. The first drew the sting out of the controversial community *charge*; the second stole Labour's thunder ahead of the 1992 general election; *and* the third began the difficult task of redressing the UK's huge public sector *deficit* by announcing a £17bn programme of tax increases over two years.

Mr Lamont considered himself a believer in tax neutrality – the principle that taxation should not distort economic activity or favour any particular interest group.

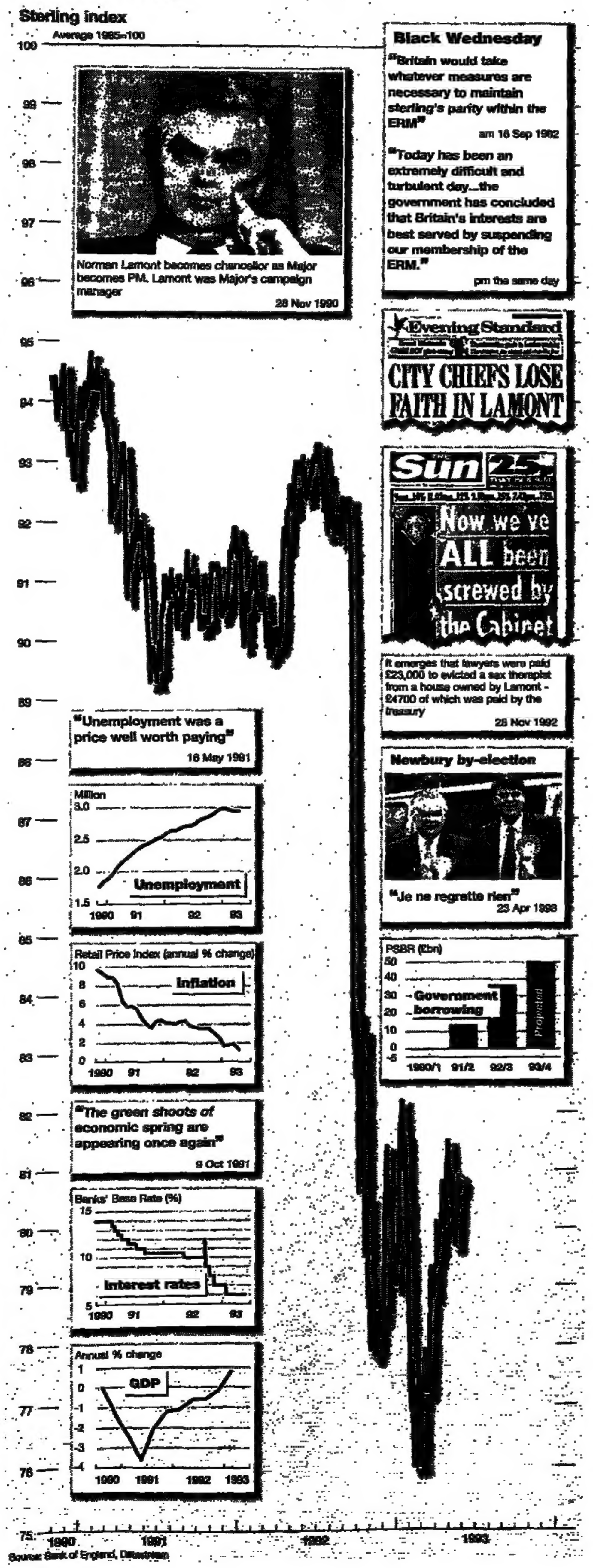
But fiscal purists have seen more of the cunning politician than the detached theorist behind Mr Lamont's tax measures. Organisations such as the independent Institute for Fiscal Studies have criticised Mr Lamont's penchant for increasing tax allowances for industry as inefficient.

Mr Lamont leaves the Treasury with much unfinished business in hand. Preparations are currently *underway for the* first of the unified budgets that in November will bring together plans for revenue raising and public spending into one statement of future fiscal policy.

His successor *will benefit* from a far better economic inheritance than that bequeathed to Mr Lamont by John Major. But the risks to *recovery* are considerable, with recession in continental Europe threatening to act as a drag on UK growth.

And overshadowing economic policy is the budget deficit, running at £50bn a year. *That part of the legacy will* almost certainly present Mr Lamont's successor with his toughest task.

Lamont's record



Election defeats sealed fate of Tory 'scapegoat'

By Philip Stephens

THE FATE of Mr Norman Lamont was sealed on the morning of May 7. As the Conservatives reeled under the impact of its defeats in the Newbury by-election and county council polls around Britain, those in the prime minister's inner circle drew a damning conclusion. As long *as Mr Lamont stayed on as* chancellor there was little prospect of the government recovering its poise.

As party officials conducted an intensive post-mortem on the election defeats, one factor cropped up again and again. The most powerful weapon deployed by the Liberal Democrats had been a simple slogan: *Voting Conservative on Thursday* is a vote of confidence in Norman Lamont.

The message was reinforced by an outcry from Conservative constituency associations. No-one would trust the government - nor have confidence in its economic policies as long as Mr Lamont.

It was not this time the men *in grey suits who* delivered the coup de grace – but the women in twin-sets and the men in tweed jackets who run the Tory party in the country.

The conclusion was that Mr Major's own position now depended on sacking the man who had run his campaign for the party leadership two and a half years ago. Private soundings *revealed* that it was a judgment with which virtually everyone in the cabinet concurred.

Mr Lamont thought otherwise. He spent the past two weeks fighting for his political life – telling friends that he must not be made a scapegoat, urging colleagues to support him. But the tide became unstoppable. A week ago the prime minister decided he had to go. Sir Norman Fowler, party chairman, was told at the weekend and spent the past few days in a series of meetings with the prime minister planning the reshuffle. It was thought there was a chance that the *former* chancellor would accept the indignity of a move to the department of the environment. But the reshuffle was *planned on the basis* that he would refuse.

The message from Downing Street yesterday was that Mr *Major had* decided to "refresh" his cabinet. It was true as far as it went. But no-one at Westminster doubted that all the changes were built around a single aim – to put Mr Kenneth Clarke into the Treasury in time to staunch the heamorraging in the government's *popularity and to begin* preparations for November's unified budget.

It was done with political skill. Mr Major demonstrated his authority by appointing Mr Clarke despite the real fears on the Tory right that he remains wedded to the European exchange rats mechanism and, more generally, to Britain's *place in Europe*.

The political balance came from Mr Michael Howard's elevation to the Home Office. An instinctive *right-winger* is now in charge of an issue that Conservatives regard as second only in importance to the economy – law and order.

Mr Major's hope now is that the acrimony will fade; that *the Tory right will judge that* there is a common interest in uniting around the new chancellor; that Mr Clarke will begin to persuade the electorate that the government will sustain the economy recovery, that it has restored its grip.

He may prove correct. But he is aware of the *dangers*. There have been broad hints from friends of Mr Lamont that if mistakes in the run up to sterling's exit from the European exchange rate mechanism, they were made not by the chancellor but by the prime minister. It the crude jargon of Westminster, Mr Lamont knows where the bodies were buried.

Political recovery for Mr Major now depends on his new chancellor reaping the rewards of Mr Lamont's stewardship of the Treasury. *If the recovery is sustained* and inflation remains low, the restless right of the Tory party may keep their counsel. Mr Lamont may choose discretion over revenge. Friends believe that his reputation will be best served by dignified by silence rather than attempt to follow the example of Lord Lawson or Sir Geoffrey *Howe*.

But as his ministers digested the events of yesterday few denied there are still far too many "ifs". The scars left on the Tory party by the war over Maastricht will not heal quickly. Mr Major has dangerous and destructive enemies in his own party. He has appointed to the most powerful job in his government his most likely successor.

What he needs now, above all else, is a run of political luck. He had no choice but to sack his chancellor. But it offers no guarantee of escape.

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EC minister seen as intelligent Euro-sceptic

By Ivor Owen, Parliamentary Staff

MR DAVID Heathcoat-Amory, Britain's new minister for Europe, has a reputation among his Conservative colleagues as an "intelligent Euro-sceptic" – backing the principle of the Community but determined to champion UK interests.

His robust attitude to the EC and its institituions first emerged following the 1984 Fontainbleau agreement. Mr Heathcoat-Amory maintained that its *provisions* on financial and budgetary discipline amounted to little more than "pious hopes and generalisations".

As one of the Conservative Party's senior party managers *charged with guiding* the legislation to ratify the Maastricht treaty through parliament, he had a key role in assessing the threat posed by rebel Tory MPs.

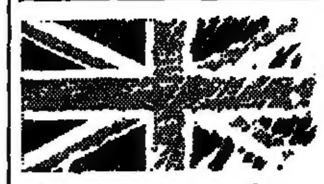
He has also worked closely with Mr Douglas Hurd, the foreign secretary, having served as his parliamentary private secretary when he was home secretary.

Mr Heathcoat-Amory, a nephew of Mr Derrick Heathcoat-Amory, who was chancellor of the exchequer from 1958 to 1960, lost out to Sir Leon Brittan, vice-president of the EC commission, when he was widely expected to become the Conservative candidate for Richmond in 1983.

A land owner, chartered accountant, and former company director, Mr Heathcoat-Amory has been MP for Wells in Somerset since 1983.

He was appointed deputy *chief whip when the Tory gov*ernment was returned with its majority sharply reduced in last year's general election.

Britain in brief



Arms probe hears denial by Mayhew

Sir Patrick Mayhew, the former attorney general, has issued a detailed and forthright denial before the Scott *arms-for-Iraq inquiry* that he had attempted to suppress evidence in the supergun affair.

He was speaking after the strength of the original allegation against him by Sir Hal Miller had been softened in revised written evidence given to Lord Justice Scott by the former MP.

Sir Hal, in his oral evidence, had referred to a meeting in April 1990 with Sir Patrick in the lobby of the House of Commons. He said he had threatened to produce evidence in support of Mr Peter Mitchell of Walter Somers, a Midlands engineering company, who was facing prosecution on suspicion of illegally exporting arts for the supergun.

Sir Patrick said: "I never attempted, as he alleges, to persuade him not to go to court and produce documents if Somers were charged." The Scott inquiry was adjourned until June 11.

Restrictions on lenses lifted

The government is to lift restrictions on the sale of contact lens solutions. The decision follows a monopolies investigation which found that Allegan, the US-owned manufacturer, and Boots, Britain's largest chain of chemists, had kept prices artificially high.

The department of health said it planned early next month to authorise sales of the solutions by any retailer with adequate arrangements for storage and product recall.

Insurers fear higher rates

Insurers could be on a collision course with the government over moves to increase premium rates for terrorism insurance following last month's Bishopsgate bomb.

The Association of British Insurers, the industry's trade association, claimed that the government was stepping up pressure on Pool Re, the new government-backed reinsurer, to increase rates.

Redundancies at Swan Hunter

Four hundred and twenty Swan Hunter employees, many of whom have spent their entire working lives at the Tyneside shipbuilder, have been made compulsorily redundant following the decision to call in receivers.

BA hopes to avoid strike

British Airways flights are expected to operate normally this weekend despite a strong ballot vote in favour of striking by the company's cabin crew and ground staff.

The Transport and General Workers union said talks are going on with BA to try and resolve differences over alleged threats to cut pay and conditions of employment in newly formed BA subsidiary companies.

UK oil output falls by 7%

UK oil production declined last month to 1.75m barrels a day – its lowest level since last June, according to the Royal Bank of Scotland. The value of Britain's oil output fell by 7 per cent largely as a result of lower oil prices and the fall in the value of the dollar.

Pit prospects deteriorate

Prospects for the 12 coal mines reprieved by the government last March deteriorated when National Power, the largest electricity generator, ruled out signing contracts with them before the autumn.

Lord Gormley

Lord Gormley, the former president of the National Union of Mineworkers, has died aged 75. As Joe Gormley he was a leading figure in trade union affairs in the 1970s which were dominated by crippling miners' strikes.

MANAGEMENT

Barry Romeril is leaving BT to head Xerox finance. **Lucy Kellaway** talks to him about achievement and style

Tough act to copy

Barry Romeril is not yet 50. Quickly and with little fuss he has risen up and out of ICI and BTR to become one of the most powerful people in one of Britain's biggest companies. He was made finance director of BT five years ago, and now, despairing of the log jam on the way to the very top of that company, is trying his luck across the Atlantic. At the end of next month he becomes chief financial officer of Xerox Corporation.

It is still almost unheard of for a US company to parachute a foreigner into a senior position. Companies such as Morgan Guaranty, and Philip Morris have been run by British executives, but most of these have worked their way up in the US and become naturalised citizens. Romeril, by comparison, was approached cold by a US head hunter.

Insiders at BT speculate that Romeril's nose was put out of joint by the appointment in 1991 of the equally youthful Michael Hepher as managing director, a position which Romeril would have liked for himself. They also refer to the appetite for creative tension of BT's chairman Ian Valance: Romeril was meant to report to him, yet to support Hepher.

They also question whether move counts as promotion. After all BT, which is a larger company, faces increasingly exciting challanges as its old monopoly position is undermined and as it ventures into new businesses and areas.

In conversation, Romeril keeps his cards more or less glued to his chest, and brushes aside such speculation. "I was tempted by the fact that it was in the US and that the job itself was more than interesting", he says. So he took it, simple as that.

On the face of it, Romeril might seem a surprising choice for Xerox. Direct almost to the point of being blunt, he is also low-profile. While Xerox is known for its enthusiastic espousal of the latest in management fashions - it was an early convert to total quality management, to benchmarking, and is now leading the way in creating small-is-beautiful organisations - Romeril is a graduate of the no-nonsense school of management. A colleague tells the story that when asked to recite BT's four core values - which employees are meant to eat for breakfast with their cornflakes - he could not name one.

"People who spend a lot of time reading management books may not be good managers", he says. "The guts of management is about common sense. Excellence comes - as Owen Green (of BTR) once said - in making ordinary people do extraordinary things".

Despite a certain lack of charisma, Romeril has left a large imprint on BT's corporate culture. He is seen in the City as a formidable cutter of costs, although perhaps a little lacking in vision. However, insiders argue that this understates his contribution. "Barry taught everyone that they must always consider the financial impact of every sale, which was a revelation to some people. Valance, as a GPO man, always wanted to build wonderful new networks from scratch. Barry convinced him that, by tweaking the existing network, almost the same result could be obtained, at a fraction of the cost," says one colleague.

Romeril agrees that he has helped change the way the company thinks. "Too many decisions were made on the basis that him up there wants it. What I have sought to do is bring a commercial attitude to the way the company approaches its business."

In so doing, he has raised the status of his job. "My style of being a finance director is to be very much involved in business decisions", he says, arguing that accounting and fundraising are more a specialist part of the job than its very core.

Romeril is regarded by some as a hatchet man: he was involved in the mass lay offs at ICI in the early 1980s as well as the present wave of redundancies at BT. About job losses he is unsentimental, verging on the unsympathetic. "You would be surprised at the number of people who left with generous or fairly generous terms, who said later that it was the best thing that had ever happened to them," he says.

Romeril's general approach to business may make him more at home in the US - where he has spent much time for all of his three employers - than in the UK. He is an advocate of the US attitude that says tomorrow is the first day of the rest of my life, and the "can do" mentality. "Over here, managers are inclined to slip into a more discursive and debating approach. I believe that in management you make up your mind what you want to do. Once the decision has been made, you go, do. Too much management time in Britain is spent revisiting decisions".

Would he still make that criticism of BT? Romeril hesitates, and then says that, although the tendency is there, it is less strong than it used to be.

At Xerox, Romeril's function is to remain broad: he is to be in charge of business strategy and business development as well as finance. He is undaunted by the fact that the copier market is unknown to him. In any case, he is used to making career changes, and cites his own breadth of experience as part of his strength. "The variety gives one a better nose for the fallacious argument or for the manager who is most likely to succeed."

The money at Xerox will also be better. His base salary will be about the same, but in addition he will have the rich menu of performance-related stock incentives, options, and bonus schemes to which US executives have become accustomed.

Does he fear that as a foreigner in a US corporation his progress will be stopped by a glass ceiling? Absolutely not: "Xerox is a truly multinational company which wants to reflect in its mangement appointments the nature and diversity of its business."

Romeril is ambitious, and sees no virtue in trying to hide the fact. "Responsibility at middle and senior levels is as much taken as given", he says. "If you wait to be told what to do, you'll never reach the top."

He suggests that one area in which people should take on responsibility is to criticise others, and if they make enemies in doing so that is inevitable. "No one can get to the top on a universally friendly pattern", he says, shrugging.

Flying in the face of tradition

Companies have intensified the search for cheaper executive travel. **Danny Green** outlines a new option

Your staff want to fly business or first class. They insist they need the extra space to work so that they can arrive fresh for that vital business meeting. What is more, they want to take every trip on the same airline to earn frequent flyer points.

Yet your company's margins are tight and there is a board edict to save money. How can you keep your executives motivated, but retain a grip on the cost of business air travel?

The problem is not new, but now the hunt for better travel management has spawned an approach which is based on fees rather than on commissions. The appearance of this approach has divided the ranks of the corporate travel managers into the bold and the sceptical.

The traditional pattern has been for companies to engage travel agents to buy airline tickets, reserve hotel rooms and rent cars. The agents recoup the cost of running their businesses through commissions from airlines, hotels and car rental agencies. The standard rate for airlines, for example, is 9 per cent of the cost of a ticket.

The disadvantage with this approach is that travel agents have little incentive to search for cut-price tickets. Saving money for clients cuts their commission.

Companies and travel agents have tried to overcome this by arranging split commissions, or by rebates for bulk purchases of tickets.

Typically, the client company might get back one third of the commission from the agent, or 10 per cent of the ticket price from the airline, as a reward for putting a lot of its business through one agent or airline.

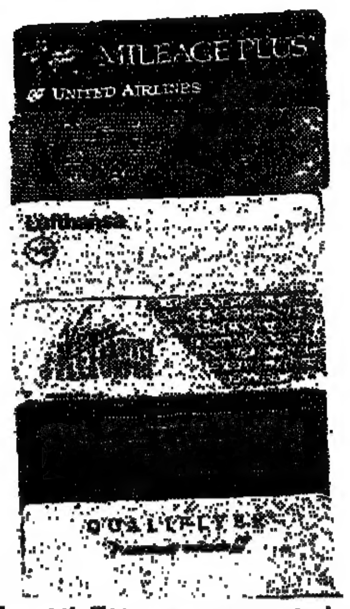
These changes, however, do not adequately encourage agents to save their clients money, says John Cash, manager purchasing, fleet/travel, for Rank Xerox.

He has turned instead to an alternative based on management fees.

The principle is that the client pays the agent a fixed fee, with a bonus based on savings above a pre-set target. The commission is split between the two parties by arrangement.

Rank Xerox is using Thomas Cook, although similar fee-based deals can be arranged with other large agencies including American Express, Hogg Robinson and Wagons-lits.

Thomas Cook claims that savings of up to 40 per cent on tickets are possible and practices "open book" accounting in which the client sees where the agency earns its money.



Frequent flier programmes: may be exchanged for cheaper fares

Cash is pleased by the results so far.

"A management fee brings more focus and dedicated support from the agent to incentivise them to save you money."

Agents are keen to push the idea further.

Colin Rainbow, commercial director of Wagons-lits, explains that agencies are suffering as business travellers seek cheaper tickets.

"The travel agent still has to have the same level of service but the [commission-based] margin is being very much diminished. The management fee approach allows open book accounting: the client knows he's getting everything he can get."

The system is not without its reasoned opponents. The airlines, which are mostly losing money, do not like it. By persuading companies to spend less on air travel, management fees reduce the size of the whole cake, says Stephen Wolf, head of United Airlines, the second biggest US carrier.

Some clients do not like it either. Dennis Campbell, travel and catering manager at Esso Petroleum, says: "Management fees can be inflexible. You could spend more time arguing with your agent on who's doing what work."

"You end up discussing terms with the travel agent for extra work."

Campbell often deals with airlines directly using the travel agent for market intelligence and advice.

"The name of the game nowadays is management information, building up patterns of destinations," he says.

He can use information, for example, that the London-Houston flight is emptier on Tuesdays and Thursdays than on other days: "We are working with airlines on pushing business to slack days."

In spite of this kind of resistance to replacing commissions with fees, the notion is now spreading beyond the UK to the rest of Europe.

Wagons-lits already has a handful of fee-based clients on the continent, especially in France.

The trend may have been given extra momentum by airline industry deregulation, which began in earnest in Europe on January 1, 1993.

That is already increasing the number of discount fares on offer: as a result, finding the cheapest deal is becoming more complex than ever.

هكذا من الأصل

BUSINESSES FOR SALE

INVITATION

For the Submission of Declarations of Interest for the Purchase of the Assets of "THESSALIKOS VAMVAX A.E.B.E."

ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "THESSALIKOS VAMVAX A.E.B.E." a company with its registered office in Athens (the "Company") currently being liquidated under the "Special Liquidation" provisions of Law 1892/90, invites interested parties to submit within twenty (20) days from the publication of this Notice Non-Bidding Written Declarations of Interest for the purchase of the whole of the assets of the Company.

BRIEF INFORMATION:
The Company was established in 1979. Its activities were the ginning and processing of cotton and its remainders as well as the marketing and exportation of cotton and ginning products. In 1992 the company was declared bankrupt and under liquidation.
The Company's Assets include:(1) A ginning Complex, which is located in the village of Filias (Karditsa area- position Haikali- outside the city plan, consisting of 8 areas with total surface of 7,000m². The complex is built on a plot of approximately 24,750 m². (2) Complete mechanical equipment for ginning and (3) various other assets such as technical installations, office equipment, trade name etc.

SALE PROCEDURE:
The Sale of the Company's Assets will be by way of Public Auction in accordance to the provisions of Section 46a of Law 1982/1990 and the terms indicated in the relevent invitation to be published in the Greek and foreign press on the dates provided by law.

SUBMISSION OF DECLARATIONS - OFFERING MEMORANDUM-INFORMATION:
For the submission of Declarations of Interest as well as for obtaining an Offering Memorandum in respect to the Sale and for any other information, interested investors should address themselves to the Liquidator of the Company "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1, Skouleniou Str., Athens 105 61, GREECE, tel.: +30-1-323.14.84 - 87, FAX: +30-1-321.79.05 (attn. Mr. Athan. Chryssafides).

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or
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FINANCIAL TIMES

LEGAL NOTICES

Advertisement of creditors' meeting under Section 48(2) Insolvency Act 1986
Registered in England and Wales
Company No 338236
Boarnerets Limited

Notice is hereby given pursuant to Section 48(2) Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the offices of: Coopers & Lybrand, Orchard House, 10 Albion House, Maidstone, Kent, ME14 5DZ on 7 June 1993 at 10.30 am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.
Other creditors are only entitled to vote if:
(a) They have delivered to us at the address shown below by no later than noon on 4 June 1993, written details of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.1 Insolvency Rules 1986; and
(b) There has been lodged with us any proxy which the creditor intends to be used on his or her behalf.
Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.
N J Vooght, Joint Administrative Receiver
Coopers & Lybrand, Orchard House, 10 Albion Place, Maidstone, Kent, ME14 5DZ

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In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 28th May, 1993 to 30th June, 1993 has been fixed at 3⅜% per annum. On 30th June, 1993 interest of U.S. $2.979166 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th June, 1993 will be determined on 28th June, 1993.

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"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "BARCO S.A., TEXTILE INDUSTRIES", a company having its registered office in Metamorphossi, Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990 (as supplemented by article 14 of Law 2000/1991,

announces a call for tenders

for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole. .

BRIEF INFORMATION: The Company was founded in 1956 and was in operation until 1981, when it was declared bankrupt. In 1988 it was brought back into operation, while in 1990 it was declared bankrupt for a second time. The Company's activities included the production, marketing and exporting of textiles. Assets include a factory, consisting of three buildings, with a total area of 34,115 m², standing on a plot of land of 19,062 m², machinery and mechanical equipment.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions. Submission of offers in favour of third parties to be appointed at a later stage shall be accepted under the condition that express mention is made in this respect upon the submission and that the offeror shall give a personal guarantee in favour of such third party.
2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 21st June 1993, 11.00 hours, to the Athens Notary Public Mr Evangelos Karyofyllis, address: 7 Kratinou St., Athens, Tel: +30-1-321.6741 or 324.3393.
   Offers should also expressly state the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). In the event of no determination of a) the way of payment, or b) whether the instalments bear interest and c) the interest rate, then it shall be deemed that a) the offered price is payable immediately in cash, b) the instalments shall bear no interest and c) the interest rate shall be the legal rate from time to time in force (presently 37% yearly).
   Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, for an amount of drs two hundred million (200,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes.
   Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 21 June 1993 at 13.00 hours. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account which shall be calculated on the basis of a discount interest at an annual rate of 22% compounded quarterly or yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect to the participation and the transfer of the asset offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor shall the participants acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator: ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities " address: 1 Skouleniou Street, 105 61 Athens, Greece tel: + 30-1- 323 .1484, Fax: +30-1-321.7905 (attn. Mrs Marika Frangaki).

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British Coal invites offers for licensing the working of coal and the use of associated facilities at each of the collieries named below. Decisions by British Coal to grant a licence in respect of each such colliery will be made on a colliery by colliery basis and separate offers are invited. Specific proposals for non-mining uses will also be given due consideration.

The collieries for which offers are invited are Cotgrave Colliery, Cotgrave, Nottinghamshire; Silverhill Colliery, near Sutton-in-Ashfield, Nottinghamshire; Easington Colliery, near Peterlee, County Durham and Bolsover Colliery, near Chesterfield, Derbyshire.

Expressions of interest must be received by 18 June 1993 either in writing to:

British Coal Corporation, Licensing of Closed Collieries, Eastwood Hall, Eastwood, Notts NG16 3EB. Fax No: 0773 532709

or by telephone on the following numbers:

Cotgrave Colliery	0773 532710
Silverhill Colliery	0773 532711
Easington Colliery	0773 532712
Bolsover Colliery	0773 532713

and subsequently confirmed in writing.

British Coal reserves the right not to consider expressions of interest received after 18 June 1993.

Parties who have expressed an interest in making an offer in respect of a particular colliery will be provided with a Preliminary Information Pack containing outline information on the colliery, an application form, a letter of undertaking and the terms of a £10,000 security deposit/bond, together with details of the licensing process and timetable.

Detailed information on the relevant colliery and draft tender documentation will subsequently be provided to any party which satisfies the requirements specified in the Preliminary Information Pack, which include entering into the letter of undertaking and the provision of the security deposit/bond.

The receipt of an offer will not create any obligation or commitment on the part of British Coal to enter into any negotiations or to grant a licence.

Enquiries about the procedures set out in this advertisement should be made in writing to the above address or by telephone on the numbers listed opposite.

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Fax: 061-787-7412

or

P F Singleton Esq BA ARICS ASVA
45 Church Street
Birmingham B3 2RT
Tel: 021-212-4050
Fax: 021-212-1018

The **Businesses For Sale** section today also appears on page 4.

TECHNOLOGY

A new look at IT

Anyone who follows the information technology business in Europe knows how complex, contradictory and statistically challenging it can be.

In an enterprising attempt to bring together all the important data about European computer and telecommunications hardware, software and services, the European Commission, in conjunction with the manufacturers' organisation, Eurobit and the trade fairs CeBIT Hanover, SIMO Madrid and SMAU Milan, have collated the European Information Technology Observatory 1993*, 275 pages of trends, views and figures.

The introductory view from the commission is by Michel Carpentier, the EC director general with responsibility for IT, who argues for a long-term plan of industrial objectives which could be met through a simplified and enlightened approach to research and development.

Bruno Lamborghini of Olivetti, president of Eurobit, gives an industry view, arguing for open markets and fair treatment: "The IT market should be a truly global endeavour" he writes, "characterised by a high level of international labour mobility. Therefore the IT industry must have unlimited access under fair trade conditions to any market. Subsidies do not improve competitiveness."

Analysing the present state of the European market, the Observatory concludes that although the immediate future may not look bright, there is enormous potential.

There is instability and discontinuity because of the economic recession and fierce price competition. On the other hand, the European market has an advantage over the US because it is less saturated: "This means that Europe can enjoy a significantly higher growth rate over the next 10 years before it reaches a level of saturation similar to that of the US. This is an opportunity not to be missed by the European IT industry and European entrepreneurs."

**EITO care of EuroBIT, Lyoner Strasse 18, D-6000 Frankfurt/M.71 Telephone (49) 69 6603 510.*

Alan Cane

The container-carrying submarine oil tanker model is discussed by Alexandre Antonov, left, and Michael Reupke

From submarines to samovars

Russian military contractors are diversifying to attract western business, writes Della Bradshaw

Life at the St Petersburg Marine Engineering Bureau is hard these days. Twenty years ago the nuclear submarine builder was a power house of Soviet military-economic development. Today it is touting for business in the west, offering to build anything from underwater tourist vehicles to luxury yachts.

The conversion from military submarine maker to civilian ship builder has not been easy, complains Vladimir Barantsev, chief designer at the Bureau. But change the Bureau must.

Barantsev misses the funding and government assistance which the Bureau used to enjoy. All new customers have to be found by the organisation itself, he says. The biggest problem is lack of funds.

At the Bureau's stand at the Conversion '93 exhibition in Birmingham this week, the first significant exhibition of Russian military technology in western Europe, Barantsev's dilemma is clear. The centre piece is a scale model of a 30,000 tonne underwater supertanker, which would cost $200m (£130m) to build; a bargain by US or western European standards. Barantsev simply does not have the cash.

"The customer is ready to buy the finished product but he is afraid to pay for the production," he says. "We haven't got enough money for the construction."

Barantsev has had some success diversifying into non-military craft. Until 1987, only 10 per cent of the Bureau's turnover came from civilian projects, mainly in the Soviet oil, gas and fishing industries. Now that figure is up to 35 per cent, but the customers are still in the same sectors and almost entirely within Russia.

The submersible tanker plan also relies largely on the proposed exploitation of oil and gas fields off Russia's Arctic coast, where extreme conditions would crack pipelines and ice prevents year-round exploitation by surface tankers. Barantsev hopes some large private-sector company in Europe or the US will fund the tanker, possibly as part of an oil exploration package.

In the short term, Barantsev's best hope lies in glass-sided submersible crafts, for theme parks or seaside resorts. He stresses that the Bureau has developed, and can make and sell, the submarine's contents, from the radar to the first-aid kit. "People have to work there, eat there and rest there," he says.

The St Petersburg Marine Engineering Bureau is not alone in selecting low-technology products as a means of making its way in the new Russian economy. The maker of Kalashnikov rifles has now turned its skills to hunting rifles, the wooden handles engraved and inlaid. And the Vavilov State Optical Institute has adapted its expertise in laser technology for engraving crystal tableware.

The Institute is famous for its holography techniques, and has demonstrated the world's largest colour hologram, which can be reconstructed using a single incoherent light source – a white spot light. Other techniques rely on coherent light sources – lasers – for their reconstruction.

Victor Puchkov, general director, believes the large colour holograms may replace traditional travelling art exhibitions, where priceless exhibits have to be moved from country to country under tight security.

But Puchkov is reluctant to talk about the possibility of bringing images of Russian art treasures to a wider audience. Like Barantsev, he cites the financial difficulties.

Elsewhere at Birmingham were even more bizarre examples of diversification. Many stands featured decorated teapots and other bric-a-brac more reminiscent of a country craft fair than a high-technology exhibition.

The aviation industry stand boasted clocks, samovars, and fridge freezers.

One defence company has applied expertise in optical fibre technology to produce floral ornaments with rigid fabric petals which twinkle colourfully when connected to the electricity supply.

With the domestic goods were established examples of military technology spin-offs: such as tennis racquets made from carbon fibres. Bullet-proof glass had also been moulded to make gemlike multicoloured rust-proof glass nails.

There were examples of truly innovative technology. The Ekranoplan, a cross between an aircraft and a Hovercraft, the Russians hope to sell as an air-sea rescue aircraft or airborne ambulance.

Converting expensive, sophisticated military technology for equally sophisticated use in peace time is a task which appears to have largely foxed the Russians as it has companies in the US and Europe.

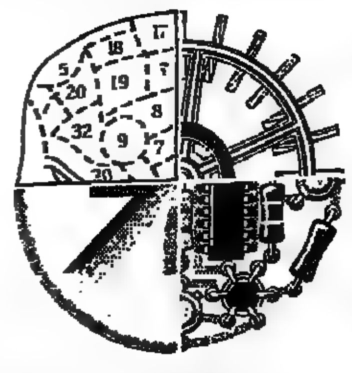
Yurii Krasnoshchyokov, director of the Central Research Institute of Chemistry and Mechanics, and an explosives expert, is the exception. "Everybody tries to run away from explosives, but we try to use them," he explains.

He has developed explosive "bombs" which can be dropped from the air to control avalanches. Another technique uses small, controlled explosions to break up parched and furrowed agricultural land and so increase crop yields.

Most impressive of all has been the production of large diamond-like superhard materials for use in industrial applications. The process involves high temperatures and pressures to form boron nitride crystals. The pressure is twofold: static and explosive; hence the diversification from Krasnoshchyokov's original speciality.

The diversification, he says, is one of the most difficult attained by Russian scientists. His eyes gleam with pleasure as he explains that one day he hopes to produce superhard materials with the same aesthetic qualities – and the same structural properties – as natural diamonds.

Worth Watching · Della Bradshaw



End of the line for phone call vexation

Every customer knows the frustration of calling a supplier only to be passed from person to person, repeating the inquiry or complaint, until the right person is reached.

Envoy, of Richmond, Surrey, has developed software so that customer details can be transferred automatically with the telephone call.

If a customer calls his or her insurance company with a policy inquiry the agent will call up details of the policy from the database on to the computer screen. If the call needs to be transferred, the operator will call the number and transfer the call and the data on the screen simultaneously.

In addition to the specialist software, the company needs a single link to be installed between the main computer and the internal phone system.

Envoy: UK, 081 948 6000.

High-tech buyers move into focus

Marketing teams, eager to direct accurately their high-technology product to the right group, are being helped by New York consultancy Backer Spielvogel Bates, which has drawn up a profile of the "techthusiast" – technology enthusiasts who are the first to buy new products.

According to the researchers there are 37m techthusiasts in the US alone, with an average age of 38.2 years.

They read more newspapers and magazines, are prosperous, with a median household income of $56,500 (£36,700), and are spread throughout the US, although many congregate around leading universities and technology companies. The analysis is part of BSB Projections 2002, issued by the Media Research & Technology Department of BSB. BSB: US, 212 297 7000.

Aerosol answer to infernal parking

A drawback of hot, sunny weather is the stifling heat that builds up inside parked vehicles. The answer may be a cooling spray which, claim manufacturers France Med, of London, can reduce the temperature by as much as 40°C almost instantaneously.

Magicool is a combination of water, fragrance and a chemical coolant. The latter cools the surfaces while the water evaporates and reduces the air temperature. As the coolant is approved for cosmetic use, Magicool can also be sprayed on the skin.

France Med: UK, 081 645 0773.

PC numbers gain fresh dimension

Visualisation Software, which converts numbers into three-dimensional colour charts or images, is now available to companies which use PCs, rather than the more expensive computer workstations.

The IDL software package, developed by Research Systems of Boulder, Colorado, and sold in the UK by Floating Point Systems, of Bracknell, is aimed at organisations as diverse as financial service companies and engineers. It can run under Windows on 486-based PCs as well as Unix. Research Systems: US, 303 786 9902. Floating Point Systems: UK, 0344 56921.

Detecting images through the smoke

A thermal imaging sensor, which could help firemen to find casualties in burning buildings, has won the Prince of Wales Award for Innovation for GEC-Marconi Avionics.

Thermal imagers produce a picture by measuring radiation in the infra-red, rather than the visible light spectrum and so can "see" through dense smoke. The GEC-Marconi breakthrough was to develop a detector which did not need cooling. The company uses a ceramic detector chip.

The sensor can be built into a camera or the visor of a fire-fighter's helmet. Gec-Marconi: UK, 0634 837332.

PEOPLE

Marshall begins to reshape British Airways board

Sir Colin Marshall, who took over as chairman of British Airways in February, has started to reshape his board of directors by appointing a couple of fellow Midland Bank directors to his own board.

Baroness O'Cathain, 55, managing director of London's Barbican Centre, (pictured left) becomes the first woman on the BA board. She is joined by Charles Mackay, 53, chief executive of Inchcape (pictured right). The appointments are the first to be made since the furore caused by Virgin Atlantic's allegations that BA was conducting a "dirty tricks" against it.

The Virgin Atlantic row precipitated the early retirement of Lord King, Sir Colin's predecessor, and there had been concern in some quarters of the City that the BA board had not been as effective as it might have been in monitoring the actions of BA's executives. Several of the non-executives are friends of Lord King and there was a feeling that the board needed to be strengthened by the appointment of some more independent outsiders.

The appointment of two new non-executive directors will go some way towards meeting these concerns and will mean that non-executives will be in a majority on the BA board.

Detta O'Cathain is a successful business woman, who also sits on the boards of Tesco and Sears. Charles Mackay is well respected in the City and has strong connections in the Far East. Baroness O'Cathain said yesterday that the airline business had always been in her blood. She started her career as an accounts clerk with Aer Lingus and her husband, William Bishop, used to work for the Irish airline.

She announced yesterday that she had resigned from the board of Midland Bank where she had been a director for 9 years.

Promotion in pipeline

British Gas has appointed Harry Moulson to head its national transmission system – the pipelines network – when Donald Young retires in July. The appointment places a 49-year old high-flier, who has been groomed for the top at British Gas, into a crucial post in the run-up to the Monopolies and Mergers Commission's report on the company.

The commission's report is due by the end of July and could leave Moulson heading a separate company. One of the key decisions the commission must make is whether British Gas's pipelines division should be hived off as a separate entity. Even if this does not happen, Moulson will still have to erect a Chinese wall between pipelines and the company's marketing business – along lines that British Gas has already agreed with regulators.

Moulson's background is in marketing in British Gas's regional offices and, more recently, at headquarters. Before that, he was chairman of British Gas Wales.

From a rock to a hard place

There could hardly be two more contrasting tasks than selling products from the rock-solid Prudential and marketing products for Invesco MIM, with its racy past and battered reputation. But Alan Wren, who joins Invesco on Tuesday as managing director of the UK retail division, reckons he is equal to the challenge.

Acknowledging the UK end of the business is "at its nadir", Wren, 43, is attracted by the "breadth of responsibility". He will take charge of UK retail activities, adding investment trusts and private clients to unit trusts and PEPs.

Old MIM hands, complain at the clash between the old institution and the ways of the highly successful US side, run by chairman Charles Brady. But Wren sees the "massive" business in the US, and the growing Far Eastern presence, as plus factors.

The past will take time to live down – "two years, maybe even longer", he agrees. His priority is "to introduce a customer, not a product, focus."

While Invesco may seem many miles from the Pru, Wren says the problem of a proliferation of products – 34 different units trusts valued at only £1.1bn, for instance – is one with which he is familiar.

Wren left the Pru, where he was managing director of the investment products division, last November. After a successful first three years to 1987, sales tailed off, investment performance went off the boil, and his plans for European expansion were rejected.

■ Ronald Artus, Sir Victor Garland, and Sir Colin Southgate, all non-executive directors, retired from the board of Prudential Corporation.

Insurance moves

■ Ken Wilkinson retires as chairman of LIVERPOOL VICTORIA FRIENDLY SOCIETY at the end of May.

■ Peter Sweet has been appointed chairman and chief executive of BOWRING Aviation; Peter Vicears and Anthony Welton are appointed joint deputy chief executives.

■ Graham Bailey, Ken Evans, Tim Griffiths, Chris Higham, Martin Neal, Steve Tysoe and Nick Vine have been appointed directors of ALEXANDER HOWDEN Reinsurance Brokers. Michael Box has been appointed md non-marine of ALEXANDER HOWDEN Ltd, while the following are also appointed directors: Paul Carter marine & energy, Simon Delchar non-marine, Alan Hyatt services, Ian Johnston non-marine, Gavin Laird marine & energy, Terence Stern services, and Roger Walsh marine & energy.

■ William Stockdale, formerly director of engineering resources at Scottish Power, has been appointed engineering director at ENGINEERING INSURANCE COMPANY.

■ Alastair Malcolm has been appointed chairman and chief executive and Clive Hilton md of AMA UNDERWRITING AGENCIES.

■ Howard Green has been appointed chairman, Stephen Matanle chief executive and John Tyndall deputy chief executive of BOWRING Worldwide Insurance Brokers.

■ Terry Taunton has become executive chairman of JAMES HUNT DIX (INSURANCE) following the retirement of Gilbert Dix.

■ Nick Hooper is appointed a director of SUN ALLIANCE Overseas and Jim Jewell, a director of Sun Alliance Life & Pensions, is appointed to the main board.

■ Roy Alexander is appointed a director of DOMESTIC AND GENERAL.

■ Christopher Birrell has been appointed group finance director of STEEL BURRILL JONES GROUP.

'Proud Maisie', 1867, Frederick Sandys' suggestive portrait of his mistress

The Monarch in Madrid

Patricia Morison admires the Victorian art exhibition visiting the Prado

This summer, "The Monarch of the Glen" is not in its offical home at the headquarters of United Distillers in Edinburgh. Landseer's immortal image of a stag in its Highland fastness is now casting its spell over a new public. Together with Frith's "Railway Station", a close competitor for title of Most Famous Victorian Painting, the Monarch is now in Madrid with the British Council's exhibition, *Victorian Paintings from Turner to Whistler*.

This enjoyable survey contains more than a hundred paintings and several drawings by a great number of artists. They have been lent from the royal collection and from public collections in some remarkably obscure corners of the British Isles, as well as by numerous private collectors. The Prado's civilised exhibition space is its last stop (ends July 31). As a great plus, there is a small exhibition of Victorian photographs of great quality which complement the paintings beautifully.

In its first fortnight the show has drawn a large attendance of Madrilenans. The hope is that *Victorian Paintings* will fill what may well be a very substantial gap in many visitors' knowledge of art. Victorian painting is almost unknown in Spanish public collections. (Let us remember, however, that the reverse is just as true.) The Prado owns barely half a dozen 19th-century Victorian paintings, the most recently acquired being a superb evocation by David Roberts of the interior of the great mosque in Cordoba.

Last century and this, Spanish private collectors held off the Victorians. In the homes of the aristocracy, there are the same kind of English hunting and horsey paintings which are to be found the world over. However, this exhibition marks Spain's first encounter with the strand of mid-century narrative paintings such as Abraham Solomon's "Contrast" (the rude health of French fisherfolk on the beach contrasted with the consumptive young Englishwoman sketching them with a limp hand in her bathchair) and Egley's "Omnibus Life in London".

The Prado will therefore also be a first time many visitors will have encountered the Pre-Raphaelites. The leaders of the Brotherhood come out of the show rather poorly. However, the later generation of the PRB is strongly represented. "Isabel" by the little-known John Melhush Strudwick, and John William Waterhouse's "Belle Dame Sans Merci" (his most famous work is the Tate's "Ophelia"), almost take us to the end of the century. In the latter, we see how much English artists had come to admire the technique of Jules Bastien Lepage.

Something which may surprise any visitor brought up on clichés about Victorian morality is the Pre-Raphaelites' intensely eroticised view of women. Rosetti's "Blue Bower" from the Barber Institute uses vibrant colours and also the beloved "language of flowers" to express sheer lust. His flame-haired model, Fanny Cornforth, is bowered by passion-flowers and morning-glory as symbols of the artist's infatuation. Strewn corn-flowers are her emblem.

More suggestive still, to the point of being comical, is the drawing of "Proud Maisie" by Frederick Sandys. His mistress is in profile, the hair cascading over her shoulders drawn with a scrupulosity which recalls Leonardo's sketches of water. Sandys' mistress bites a strand of hair and frowns, a petulant and predatory young woman who alerts us to the later century's growing alarm in the face of discoveries about the unstable, disorderly female psyche.

The Aesthetic Movement and the British Realist School are well shown. Frank Holl's "Gone", a study of emigrants at the Liverpool docks, was a painting which strongly impressed the young Van Gogh. However, the latest painting to be included is Sargent's portrait of the Sitwell family, Sir George and Lady Sitwell with their famous children, Edith, Osbert and Sacheverell. It is a fitting note on which to end. For one thing, Sargent loved Velazquez and learned much from him about the full-length portrait. Then again, this is a picture which testifies to the continuity of English upper-class life and taste between the mid-century and the eve of the First World War. But Sargent has also painted the young coming generation which was savagely to deride and destroy so much that the Victorian era held to be true and important.

Exhibition organised by the British Council. Sponsored by Mustai

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Chichester Festival Theatre/**Andrew St George**

Coward's 'Relative Values'

Sir Noël Pierce Coward wrote *Relative Values* in 1951 and dedicated it to his butler. The play is like an unfortunate martini which has lingered too long in the shadow of the Vermouth bottle: it is too sweet, and it lacks bite and body. But it suits the taste of director Tim Luscombe in the settled ambiance of the Festival Theatre at Chichester, where *Relative Values* is revived for the second time only since its opening. This is mild entertainment carried off with skill, an evening neither shaken nor stirred but rippled.

Relative Values was Coward's first comedy since *Blythe Spirit*. It keeps an uneasy place in a tradition which looks back to Wilde and Shaw in its form, and nervously forward to the new wave of 1950s British theatre in its incipient concerns. The play flirts with English class obsession by showing class etiquette in action as the social revolution of 1945 slips into a dystropic past.

Coward used the plot to serve up society in aspic. Countess Marshwood runs a house in Kent: Moxie the maid, and Crestwell the butler head a domestic entourage whose purpose is to maintain the distinctions which created it in the first place. This English calm finds itself threatened when the Countess' son proposes to marry an American film actress called Miranda. Moxie reveals that Miranda is her estranged and unknowing sister. What to do? Promote the maid to daughter-in-law? or pretend she is a friend? Both unthinkable. The Countess disrupts the impending marriage by using an American admirer of Miranda who arrives, with shameless fortuitousness, during desert. Order reasserts itself, and Crestwell drinks to "the final inglorious disintegration of the most unlikely dream that ever troubled the foolish heart of man – Social Equality."

As social polemic, this represents Coward at his weakest; as plot, it maintains a basic unity and credulity. Each scene pushes toward social rather than comic or dramatic consequences. In good farce, the chambermaid and the countess are of equal plot value, but in Coward the countess always pulls rank.

However, the quality of the design and the acting offset the shortcomings of Coward's play. Rob Howell's beautiful wrap around screen suits the Hollywood view of England and nods at Coward's meticulous proscenium stage directions (for The Savoy Theatre) by flattening the open stage at the Chichester Theatre. It represents the inside of Marshwood House in clever *trompe oeil* style.

Susan Hampshire as the Countess and Sarah Brightman as the American threat are neatly balanced, but Coward puts the Countess too much in control to make their exchanges exciting: "I'm not quite as stupid as you think", says Miranda; "I'm so glad" replies the Countess. Hampshire times the quick interchanges perfectly and her silvery voice means privilege. Elsewhere, Venetia Barrett as Lady Hayling, the battleship whom her admiral husband married, is the voice of aristocratic shock, all church fêtes and outraged sensibility.

Anthony Bate as the butler, proud to know his place and intelligent enough to see the choice he has made, links the scenes with limber ease. He says "Comedies of manners swiftly become obsolete when there are no longer any manners," predicting the play's and England's future in 1951. After all the affirmations of the *status quo*, it was change Coward feared most, or change beyond his control. The Countess provides the English answer – pretend nothing is happening: "Class? Oh dear, I've forgotten what the word means."

Chichester Festival Theatre (0243 781312); in repertory until 29 July

Alastair Muir

Susan Hampshire and Sarah Brightman as the Countess and Miranda

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Theatre in London/**Malcolm Rutherford**

Antony and Cleopatra

When Octavius Caesar is told of the death of Antony, he responds, "The breaking of so great a thing Should make a greater crack," then goes into hyperbole: "The round world Should have shook lions into civil streets, And citizens to their dens."

Not in this production. The most you can expect to hear from the death of Richard Johnson's Antony is a dull thud as he slumps from his couch onto the floor, having forgotten where he put his sword. I disliked John Caird's direction when his *Antony and Cleopatra* was first shown at Stratford last autumn. It has not improved with time, nor with the greater space offered by the Barbican. The faults have become more glaring.

The trouble is that there is nothing to show that this Antony either was or deserved to be a triple pillar of the world. He is an old man over the top, a curious mixture of Lear and Falstaff straying into the wrong play.

There is nothing regal about Clare Higgins's Cleopatra either. She behaves, despite her age, which – given the number of her children and past experience – must be considerable, like an immature tart. She is not a queen of Egypt, unless you take the racist view that people who live on the southern side of the Mediterranean are somehow inferior. The production is not a compliment to Egyptian civilisation.

Rome does not come off much better. In the scene where Lepidus is carried out drunk, the Romans look like past undergraduates reliving a boat night supper. The affair between Antony and Cleopatra is presented as run-of-the-mill adultery between an elderly man and a woman who is older than she looks. Antony is overweight and no longer cares about his dress. Cleopatra's clothes, except perhaps at her suicide, would not win prizes in a Paris or Italian salon. It is straight sexual infatuation from start to finish. Style is out.

Does this matter? Yes, because it is against the text, which contains some of the finest poetry (poetry, not verse) that Shakespeare wrote. It is inconceivable that he would have given it to a pair of sluts. Johnson and Ms Higgins proceed by trying to pretend that the poetry does not exist. When Antony says "The long day's task is done And we must sleep", one wonders what he has been doing in the meantime. Certainly any glory belonged to the period before the play began.

Two performances stand out. One is Phyllida Hancock as Octavia. She at least shows that there is some dignity in Rome, whatever the rest of the Romans do. The other is Ken Christiansen as Mardian, the eunuch in the Egyptian court. At times he comforts the queen much in the way that the Fool comforts the king in the RSC's current production of *King Lear*. But it is an odd production of *Antony and Cleopatra* where the first prize goes to the eunuch. Go downstairs and see *The Changeling* at the Pit.

Brighton Festival/**Andrew Clements**

The Nose

The Moscow Chamber Opera has brought four programmes to Brighton. John Allison reported here earlier in the week on the first two of them, the Rostov Mysteries and the triple bill of Shostakovich and Stravinsky; another programme combines Mozart and Salieri, while on Wednesday the company gave the first of two performances of what is perhaps their most celebrated show, Boris Pokrovsky's staging of Shostakovich's early comic opera after Gogol, *The Nose*.

Shostakovich himself give his imprimatur to Pokrovsky's realisation, which in 1974 rehabilitated the work in the Soviet Union after it had spent more than 40 years beyond the pale. It has remained in their repertoire ever since, faithfully replicated on many foreign tours. Though the New Opera Company staged it in English translation in London in the 1970s *The Nose* remains little known in Britain; it was composed in 1928 and first performed two years later, running for 16 performances until proscribed by Stalin.

Whether the fierce satire of the pretensions of officialdom or the nose-thumbing irreverence of the music caused the main offence is not known. As a virtuoso demonstration of the young Shostakovich running through his repertory, though, (it was composed between the Second and Third Symphonies, the most "advanced" in the canon) *The Nose* remains brilliantly effective. There are more more than 80 separately identified roles, and a breathless urgency to the writing, which often thins down the orchestral writing to a single line or single tone colour, hijacks the most commonplace tunes, and then throws in a virtuoso set piece – an interlude for the percussion alone, the orchestral gallop that is probably the score's most familiar number, or an extraordinary eight-part canon for voices that closes one scene.

In performance the opera sometimes seems more like a revue than a through composed piece of music theatre. As the preening bureaucrat Kovalyov hunts through 1830s St Petersburg for his nose, which is masquerading as a state official, time and again confronting small-minded officialdom, the predominant mood seems one of brittle absurdity. Sometimes, though deeper currents well up, and then the constructivist dissonances give way to a lyrical melancholy that harks straight back to Musorgsky.

The proportions are not quite right – the third act is too long and hangs fire before the finale but the Moscow performance plays it for all it is worth. The cast works heroically, changing roles at top speed in a brilliantly choreographed scheme, always keeping the action on a cusp between outright farce and biting social comment. It could all be driven slightly harder and made more brilliant; the orchestral playing under Vladimir Agronsky was always secure but never dashing, the singing (headed by Eduard Akimov's Kovalyov, Boris Druzhinin as his servant Ivan) was colourful, sometimes passionately intense.

The Nose is never going to be more than a fringe work as far as British audiences are concerned. For Russians, though, it continues to have a huge resonance. The Moscow Chamber Opera play it like a black farce; Pokrovsky's production leaves the whole cast on stage sitting on benches to watch the unlikely events unfold, turns it into a communal ritual. Watching it unfold one quickly realises its importance to the participants.

Theatre Royal, Brighton; further performance of *The Nose* tomorrow

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London Fringe Theatre

Studs

All soccer is drama, but no play is a soccer match. English player Paul Gascoigne made a plausible "Phantom of the Opera" with the protective face mask he wore during Lazio's 5-0 defeat of Ancona;there was a standing ovation for him. One nil to soccer. But now with *Studs* at the Tricycle Theatre, the Irish company Passion Machine puts the soccer back into drama.

It makes unusual viewing. *Studs* presents eleven players on stage in a high energy – if overlong – soccer play. The locker-room dialogue is brawling and chaotic, but the on-pitch movement around the small Tricycle stage makes a study in agility and precision.

The play tells of Emmet Rovers, a team so incompetent that its left wing, who never gets the ball, advertises for a manager. One candidate applies. He appears to have a footballing past. He licks the Rovers into shape, they topple the cup holders and breeze through to the final . . . which they lose. The manager turns out to be an alcoholic with the same name as the great footballer the Rovers took him for; and now a developer has started to build on their home pitch.

The transformation of no-hopers into champs is a film and theatre staple: *Studs* does for soccer what *Pygmalion* does for elocution and *Stepping Out* for dancing. Nor is a play about soccer, alongside *An Evening With Gary Lineker* or *The Boy's Own Story*, an original idea.

Paul Mercier's writing and direction runs the action on a kind of high-octane essence of locker-room: swearing, chanting, weeping, shouting and laughing. The strength of this play lies in the choreographed direction of the match scenes. Here, each player is spotlighted with the ball, and delivers a monologue of his thoughts as he tears down the pitch, while the other players provide the rest of the game's noise and tension.

Andrew St George

Tricycle Theatre (071 328 1000) until June 19

INTERNATIONAL ARTS GUIDE

No one who visits Finland's premier summer festival at Savonlinna can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olavinlinna) is one of the world's outstanding outdoor locations for opera. This year's programme (June 30-July 27) includes Lucia di Lammermoor, Nabucco, Macbeth, Fidelio, Die Zauberflöte and La voix humaine.

The first two works will be performed by the Lithuanian Opera and Ballet Theatre from Vilnius. Macbeth is a new production conducted by Leif Segerstam, staged by Ralf Langbacka, with a cast led by the Savonlinna Festival's director, the Finnish baritone Jorma Hynninen. The Beethoven and Mozart productions are revivals conducted by Miguel Gomez-Martinez and Hans Graf. The Poulenc monologue, with the soprano Kaisa Hannula, will receive two performances at Savonlinna Church Centre. The concert programme includes a song recital by Peter Schreier, who will also conduct Bach's St Matthew Passion (Savonlinna Opera Festival, Olavinkatu 35, 57130 Savonlinna, Finland. Tel 57-514700 Fax 57-21866).

Maurice Béjart's dance troupe Rudra Béjart Lausanne has established a link with the Stuttgart Ballet, whose director, Marcia Haydée, will star in a new work to be premiered during a short season next month in Lausanne (June 5-16). Set to music by Nino Rota, it bears the title AmoRoma. Béjart describes it as a dance-portrait of the city of Rome as mother and whore.

The season also features a pairing of two other Béjart works - Opéra, revived from last winter, and Opérette, which he created for the Stuttgart Ballet in 1985 (21-311 1588).

EXHIBITIONS GUIDE

ANTWERP

Musée Royal des Beaux-Arts Jacob Jordaens: large-scale retrospective of the baroque painter born 400 years ago. Ends June 27. Closed Mon

Rubenshuis Rubens Cantoor: 80 copies of designs and study materials used in the 17th century Flemish master's office. Ends June 27. Closed Mon

Onze Lieve Vrouwekathedral Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily

BARCELONA

Fundacio Joan Miro Joan Miro: large-scale centenary exhibition. Ends Aug 30. Closed Mon

Museu Picasso Kasimir Malevich (1878-1935): 42 oil paintings on loan from St Petersburg. Ends June 6. Closed Mon (Carrer Montcada 15-19)

BERLIN

Neue Nationalgalerie Beyeler Collection: an outstanding private Swiss collection of early 20th century paintings. Ends Aug 1. Closed Mon

Alte Nationalgalerie Oskar Reinhart Collection: paintings by 19th century German, Austrian and Swiss artists. Ends Sep 12. Closed Mon and Tues

Martin-Gropius-Bau American Art in the 20th Century. Ends July 25. Closed Mon

BONN

Kunst- und Ausstellungshalle Sehnsucht (The Desire to See): 500 paintings, projections and installations from 12 countries, tracing the development of the unbroken 360-degree panorama picture from the early 19th century until the invention of moving pictures. Ends Oct 10. Dancing Pictures: 80 cloth paintings from Ghana over the past 150 years. Ends July 11. Also Alexander Calder: 12 monumental sculptures. Ends Sep 30. Closed Mon

Kunstmuseum August Macke (1887-1914): drawings and watercolours by the German painter influenced by his French contemporaries. Ends July 4. Closed Mon

FRANKFURT

Deutsches Architekturmuseum Peter Joseph Lenné (1789-1866): 280 drawings and plans by one of the great Prussian garden and town planners, on loan from the state collection at Potsdam-Sanssouci. Ends Aug 8. Closed Mon

Städel Dan Flavin: Installations 1989-93 by the American artist. Ends Aug 22. Closed Mon

GENEVA

Cabinet des Estampes Goya and Rembrandt: an exhibition tracing the influence of the Dutch master on the Spanish painter. Ends Sep 5. Closed Mon

Musée d'art et d'histoire Egyptian Blue: glazed earthenware from ancient Egypt. Ends Sep 19. Closed Mon

LAUSANNE

Fondation de l'Hermitage Monet and His Friends: 40 paintings by Monet himself, plus impressionist and post-impressionist works by Sisley, Renoir, Manet, Pissarro, Signac and others. Ends Sep 26. Closed Mon

Musée d'Art Contemporain Discovering the Collections of French-speaking Switzerland: important works of the past 30 years, many receiving their first public showing. Ends June 27. Daily

Musée Cantonal des Beaux-Arts Balthus (b1908): more than 80 paintings and drawings by Balthazar Klossowski de Rola, the French painter from a Polish background who was encouraged by Derain and Bonnard. Ends Aug 29. Closed Mon

LONDON

Tate Gallery Georges Braque. Ends June 27. Visualising Masculinities. Ends June 6. Daily

National Gallery 18th and 19th century paintings and drawings from Lille. Ends July 11. Paintings from the Bowes Museum. Ends June 20. Daily

Royal Academy of Arts Georges Rouault 1903-20. Ends June 6. Daily

Hayward Gallery Georgia O'Keeffe retrospective. Ends June 27. Daily

Accademia Italiana Italian Art Treasures, including works by Guercino, Domenichino and Caracci. Ends July 25. Daily

Marlborough Graphics Graham Sutherland as Printmaker 1950-80. Ends June 12. Closed Sun

MADRID

Fundacion Juan March Picasso and the Three-Cornered Hat. Ends July 4. Daily

MARTIGNY

Fondation Pierre Gianadda Jean Dubuffet. Ends June 10. Daily

MUNICH

Alte Pinakothek The Fame of the Hero: 17th and 18th century historical and genre paintings from the French, Flemish and Dutch schools. Ends July 11. Closed Mon

Villa Stuck Avant-Garde and Ukraine 1910-36. Ends July 11. Also Sol LeWitt (b1928). Ends July 18. Closed Mon

Kunsthalle der Hypo-Kulturstiftung Picasso: After Guernica. Ends June 6. Daily

Lenbachhaus Idealism and Nature: 100 drawings and watercolours by Munich artists from the period 1780 to 1850. Ends Oct 3. Closed Mon

NEW YORK

Metropolitan Museum of Art Drawings from the Getty Museum. Ends Aug 8. Abstract Expressionism: works on paper from the period 1938-67 by American artists. Ends Sep 12. The Havemeyer Collection: 450 works ranging from French impressionists and old masters to Asian art and Islamic pottery. Ends June 20. Closed Mon

Museum of Modern Art John Heartfield: powerful political images by the German inventor of photomontage. Ends July 6. Closed Wed

Whitney Museum of American Art 1993 Biennial. Ends June 13. Closed Mon

PARIS

Centre Georges Pompidou Matisse 1904-17. Ends June 21. Closed Tues

Grand Palais The Century of Titian. Ends June 14. Closed Tues, late opening Wed (ave du General Eisenhower)

Musée Picasso Picasso and the Bulls. Ends June 28. Closed Tues

Louvre Copier-Créer: from Turner to Picasso, 300 works showing how artists copied the great masters. Ends July 26. Closed Tues

Musée du Luxembourg Roman Wall Paintings around Narbonne. Ends July 4. Closed Mon (19 rue de Vaugirard)

Petit Palais The Splendour of Russia: a thousand years of goldsmiths' work. Ends July 18. Closed Mon

STUTTGART

Galerie der Stadt Munch and his Models. Ends Aug 1. Also Pompeii Rediscovered. Ends July 11. Closed Mon

Staatsgalerie Swabian Classicism: 300 works from late 18th century. Ends Aug 8. Closed Mon

VIENNA

Kunsthalle The Broken Mirror: 50 contemporary artists present an image of the diversity and function of art today. Ends July 25. Daily

Albertina Dutch and German Drawings from Mannerism and the Baroque: works by Goltzius, Rubens, van Dyck and others. Ends July 11. Daily

Kunsthistorisches Museum From Bruegel to Rubens: paintings and drawings from the golden century of Flemish art. Ends June 20. Closed Mon

Kunstforum Vienna Biedermeier. Ends June 27. Daily

Künstlerhaus The World of the Maya. Ends June 27. Daily

WASHINGTON

National Gallery of Art Great French Paintings from the Barnes Foundation: 80 impressionist, post-impressionist and early modern works by Renoir, Manet, Picasso, Gauguin, Matisse and others. Ends Aug 15. The Great Age of British Watercolours 1750-1880. Ends July 25. Daily

National Museum of American Art Masterworks from American Art Forum Collections 1875-1935: paintings by Albert Bierstadt, John Singer Sargent, Edward Hopper and others. Ends July 5. Daily

ZURICH

Kunsthaus The Nabis: an exhibition of 320 paintings by Bonnard, Vuillard, Vallotton and members of the group of artists in late 19th century Paris who painted in flat, pure colours before reverting to a modified impressionist style known as Intimisme. Ends Aug 15. Closed Mon

Hugo Dixon examines the case for curbing the watchdogs of Britain's privatised utilities

Revolt against the regulators

Demands are mounting to clip the wings of the watchdogs responsible for regulating the UK's privatised gas, telecommunications, water and electricity utilities. The call for change is being led by the utilities themselves, angry at what they see as interference in the running of their businesses at the expense of their shareholders. The regulators, they allege, have too much power, too much discretion and too little accountability.

The utilities – led by British Telecommunications and British Gas – have made public statements and held private meetings to put forward their line. The overall aim has been to raise concern in the City of London's financial community, parliament and the press about who regulates the regulators.

Although the criticism started about a year ago, it moved up a gear with the current Monopolies and Mergers Commission probe of British Gas' near-monopoly position. The MMC will adjudicate in the bitter dispute between the company and Ofgas, its regulator. "What comes out of the MMC is bound to influence other regulators," says Professor Stephen Littlechild, director-general of Offer, the electricity regulator.

The utilities sense the opportunity to tilt the balance of regulation in their favour because they believe Sir James McKinnon, director-general of Ofgas, has exposed himself by his high-profile attack on British Gas. The regulators have defended themselves against criticism, arguing that regulation is necessary to prevent the utilities – which have strong monopoly positions – from overcharging their customers.

But Sir James, the focus of most criticism, admits he is being outgunned by British Gas: "We don't have the resources to take full-page advertisements to say how good we are. We don't have the money to wine and dine people – to take MPs on as advisers."

Running parallel to the public statements of the utilities and their regulators has been a proxy battle between rival sets of economists. The utilities' cause has been promoted by Mr Cento Veljanovski and Mr Dieter Helm; the regulators have been supported by Professor John Kay and Sir Christopher Foster.

Mr Helm, who has done consultancy work for British Gas among others, argues that the "regulatory framework is in crisis". Mr Veljanovski, whose clients include BT and who has written a paper on reforming the regulatory system, accuses the regulators of a "capricious exercise of the police powers of the state".

On the other side of the debate, Prof Kay describes what is increasingly known as the Veljanovski critique as a "travesty of reality". Mr Ian Byatt, director-general of Ofwat, the water regulator, says: "The idea that poor struggling utilities are being kicked from pillar to post, their share prices falling and their shareholders unable to support their families, seems to me a slightly overplayed tune."

Sir Christopher Foster, who is advising the government on rail privatisation and has written a book on monopoly regulation, argues that the UK's system of independent regulators is better than the alternatives: nationalisation, regulation by parliament or regulation by the courts.

Behind the rhetoric, there are actually three separate debates – on the style, substance and system of regulation – which have become entangled. As far as style is concerned, the allegation – aimed principally at Sir James and Sir Bryan Carsberg, Oftel's director-general until last year – is that the regulators are confrontational.

The response is that Oftel and Ofgas face recalcitrant monopolists, in contrast with Ofwat and Offer, whose industries were broken up before privatisation. On substance, the main issues before the MMC are whether British Gas should be broken up to promote competition and its level of profitability. These issues have been dwarfed in the public debate by the heated discussion about style.

The debate about whether the system needs changing – the "who-regulates-the-regulators" debate proper – revolves around four main allegations:

- The regulators have too much power. Mr Iain Vallance, BT's chairman, has focused on their desire to accumulate power: "Regulators like to regulate. This is how they can make their mark and it requires more disinterestedness than the average human being can muster not to wish to make a mark."

Their response is that, if their powers were curbed, the utilities would overcharge customers and drive fledgling competitors out of the market.

- The regulators are excessively secretive, in particular they do not give sufficient reasons for their decisions or back them up with detailed financial information.

The defence, often given by Sir Bryan – at whom this charge was frequently levelled – is that he was unable to reveal financial details on grounds of commercial confidentiality. As for not giving reasons, he says this could have exposed him to judicial review and so delayed the introduction of competition.

- The regulators are not sufficiently accountable. Here they argue that they are accountable to the MMC on most important matters if there is a dispute, as shown by the current British Gas investigation. "The permanent question is: would the MMC back me?" explains Prof Littlechild.
- The regulators have too much discretion. The defence is that, if their discretion were to be narrowed, there would have to be a mass of detailed rules and regulations on top of those that already exist. Sir Christopher says this would make the system more legalistic and allow the utilities to use their deeper pockets to tie their regulators up in knots.

So far there is no sign that the government wishes to change the system. It is also possible that if the MMC rules in British Gas's favour, the other utilities might think there was not so much to fear from the regulators after all.

Rite of passage for sheltered youth

Shifting economic pressures are forcing Korea to modify its growth strategies, says **Tony Jackson**

On the face of it, the South Korean phenomenon flatly contradicts the idea that the markets know best. In the period 1980-91, the Korean economy grew by 10 per cent a year. The driving force was the expansion of heavy industry, which in turn was the product of state planning on a gigantic scale. Korea can now boast the world's biggest steel mill, car plant, shipyard and TV factory. If this has a Stalinist ring to it, there are two striking differences. None of these ventures is state-owned, and all of them make money.

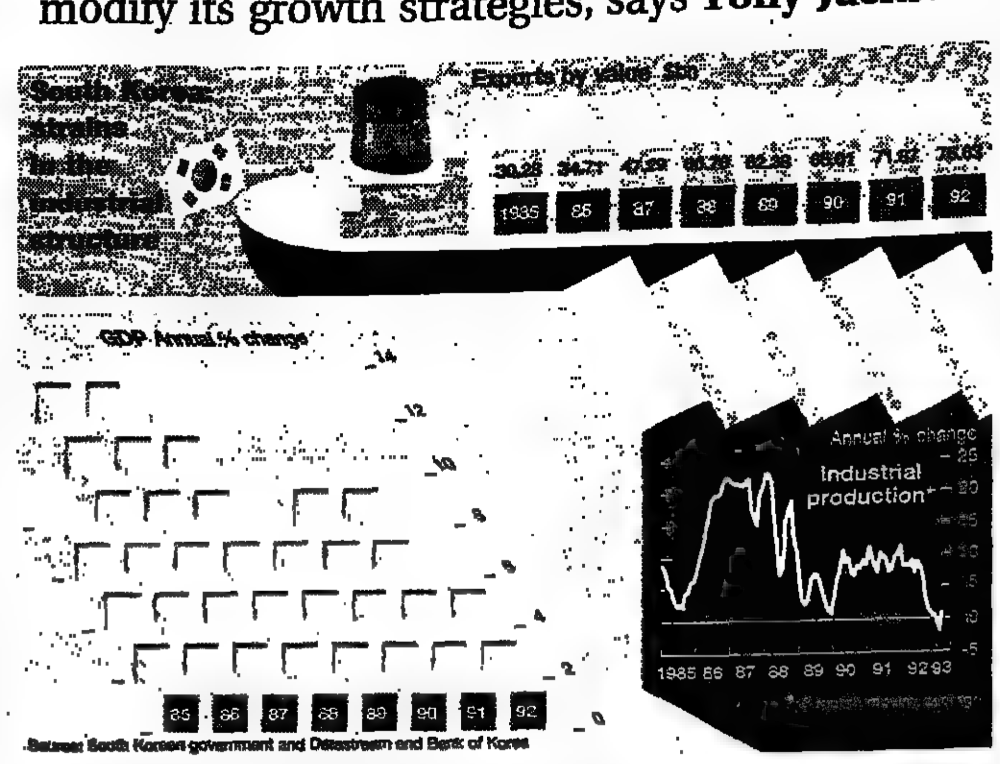
But the Korean model seems to be in trouble. An essential element of policy under the old military regime was to screw down wages as a means of promoting exports. In the late 1980s the regime started to lose its grip, and the lid blew off. In the past five years, industrial wages have gone up by some 130 per cent.

Meanwhile, the world recession has halved Korea's growth rate. The country is now in a jam. It is no longer cheap enough to compete with an emerging giant such as China, but lacking the technology to take on Japan or the US.

This is a situation which old-style planning cannot easily address. To attract the technology its industry needs, Korea must relax its traditional hostility to foreigners, the Japanese in particular. It must open its markets, allow foreign control of its companies and modernise its primitive financial system. In other words, it must abandon the conditions which made planning possible in the first place.

The old system also had one serious side-effect – it brought forth monsters, in the shape of Korea's giant conglomerates, or *chaebol*. These groups – Hyundai, Samsung, Daewoo and the rest – have some remarkable achievements to their credit. But for many Koreans, they have become symbols of corruption and economic inefficiency. Their business strategies, such as duplicating each others' efforts in cars or petrochemicals, are condemned by government officials as wasteful and egotistical. But in many cases they are also a rational response to market distortions caused by the planning process itself.

In discussing where to go from here, Korean officialdom betrays a certain inconsistency. Last month the trade and industry minister, Mr Kim Chul-Su, assured foreign journalists that the government had no intention of targeting



Sources: South Korean government and Datastream and Bank of Korea

specific industries. At the same time, he added, there were 15 industries which it wanted to strengthen in the next few years. Again, while it is essential for Korea to develop its own technology, government economists insist that old-style methods will not be used to get there. But the Ministry of Finance has a list of 11 specific technologies in which it wants the country to be self-sufficient by 2010.

"There is an apparent internal contradiction in our industrial policy," says Mr Young Soogil, a senior member of the government's Economic Planning Board. "But that simply shows we're at a loss on what to do."

In formal terms, he explains, the government stopped picking sectors as long ago as 1985, when it switched to a so-called generic approach. In theory, this meant the government would confine itself to working on technological development and the industrial structure.

"But the recent economic slowdown," says Mr Young, "has led Koreans – rightly or wrongly – to question the wisdom of that. The Ministry of Trade, Industry and Energy has been arguing that we should combine a sectoral approach with the generic approach. The Economic Planning Board has been resisting that."

All this is being hammered out in the context of the latest five-year plan, in itself a quaintly old-fashioned concept. "The plan we're working on," Mr Young says, "emphasises a stronger role for technology, the development of small-to-medium companies, the supply of a trained workforce and the supply of industrial land, which has been in acute shortage in recent years. We're also working on the infrastructure, such as highways and the information industry."

The planners are also debating what should be done at the micro level. "Again, the emphasis is on technology, and on technology-oriented industries such as semiconductors. The government would like to orchestrate industry-wide efforts on bottleneck technologies and core components, in which we're very reliant on Japan. And in declining industries such as shoes and textiles, the government has been helping firms shrink and diversify," says Mr Young. If a list like that represents the *laisser-faire* wing of the debate, one has to conclude that the old planning tradition still has some life in it.

But perhaps the most pressing issue for the planners is the *chaebol*. Although privately owned and managed, these groups are in a sense government creations, having been loaded with subsidies and special treatment over the years as the chosen vehicles for industrial policy.

"The *chaebol* issue involves two problems," says Mr Sakong Il, a former Korean finance minister. "One is legitimacy. People get emotional because they think the *chaebol* accumulated their assets by very undesirable means – by government subsidies or real estate speculation. That has to do with the process. The other problem has to do with the result of that process, which is the economic concentration of power.

"Looked at that way, the policy prescription is very clear. Get rid of illegitimate ways of making money, and you ensure future legitimacy. As for concentration of power, that can be taken care of by strengthening antitrust legislation," says Mr Sakong.

The question is how realistic this is. The new president, Mr Kim Young-Sam, has little reason to favour the *chaebol*, if only because the boss of Hyundai stood against him in last year's election. But, according to a western diplomat, "the government talks of free-market ideas, but as soon as the *chaebol* object it backs down. The longer we wait, the less prospect there is of reform. While the government is preparing its strategy, so are the *chaebol*."

The broader issue of free markets is neatly illustrated by what is officially known as Korea's import diversification policy. This is a simple ban on all Japanese imports of some 30 products, the most important being cars.

The memory of 35 years of Japanese occupation runs deep in Korea. "For historical and psychological reasons," says Mr Young, "the feeling is that if we removed these restrictions, the dependence on Japan would become absolute. That's regarded as politically unacceptable."

As an aggressive exporter, Korea can plainly not maintain trade barriers forever. Dismantling them completely, however, would cause uproar. The car industry, for instance, is ludicrously overcrowded, with seven domestic competitors and others waiting to join. Agriculture and banking are in an even worse state.

"They have no competitive position at all," Mr Young says. "If they were exposed to foreign competitors, they would collapse."

But if the Korean miracle is fading slightly, it cannot yet be written off. Korea's industrial giants may have had a sheltered youth, but the best of them are now robust enough to tackle world markets head on.

In 1985 the founder of Samsung decided to branch out into semiconductors. His executives, as they are now happy to tell you, thought he was mad. Samsung has since overtaken the Japanese as the biggest producer of basic memory chips, and is making money while the Japanese semiconductor makers are losing. Planned or unplanned, Korean industry deserves watching.

LETTERS TO THE EDITOR

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Science: real markets and knotty problem

From Sir William Barlow.

Sir, The white paper published by the Office of Science and Technology stressed the importance of engineering to wealth creation ("Hunt for winning ideas heads science research proposals", May 27). By creating a research council specifically for engineering and physical sciences it should be possible for the government to fund the research projects which relate to real markets and will aid the nation's future prosperity.

The establishment of an advisory body for key technologies is also most welcome. It is these new technologies from which we will create the businesses of the future and improve our competitiveness.

I also welcome the transfer of the Link programme and the Teaching Company Scheme from Department of Trade and Industry to the Office of Science and Technology. By being closer to the science base these important programmes should be much enhanced and should also ensure that the industries concerned develop closer ties with universities.

William Barlow,
president,
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From Dr Neil A Downie.

Sir, In your editorial on the science policy review ("An attempt to see the future", May 27), you unwittingly highlight a knotty problem in industrial R&D funding. There is no point, you say by way of example, in backing a £10m laser research project if there is no UK industry to make the advanced lasers developed by it. This argument was put forward by the 1992 Fairclough report on information technology R&D, and used to recommend abandonment of silicon microelectronics research.

However, life is really not so simple today. The world of high technology knows no national boundaries. Your "UK industry" may be a UK-owned multinational with R&D in New Jersey and production in Osaka. Or it might be a small Canadian group with manufacturing in Birmingham. Furthermore, your laser project might be part of an international collaboration – the Jessi semiconductor programme is a good example – with research and exploitation spread over many countries.

The "no UK industry" argument is a dangerous oversimplification and must be rigorously tested whenever used.

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Clean break no option

From Dr Pat Wittman.

Sir, Your article "The cost of a clean break" (May 22/23) made no reference to the effect of the 1991 Child Support Act on such settlements when a qualifying child is involved.

Absent parents who have made a one-off capital payment as a clean break settlement in divorce should be warned that they may still have to pay maintenance for their children.

Consider the case in which the parent with care of the children after divorce is a working wife who accepted the family house as a clean break settlement. If she now loses her job and claims state benefits, then the Child Support Agency will use a standard formula to calculate the maintenance requirement for the children. Given the same income and allowable expenses, the father who has previously paid thousands in a capital sum will be required to pay the same maintenance as the father who has hitherto paid nothing.

The Child Support Agency has widespread powers to recover this maintenance, making it a priority debt on a par with income tax and VAT.

Where children are concerned a clean break settlement may well be a thing of the past unless the ruling is challenged in the courts.

Pat Wittman,
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Solution to fundamental ERM problems

From Mr Avinash Persaud.

Your leader, "Complacency on the ERM" (May 25), rightly bemoans the complacency of the EC monetary committee's report into the workings of the exchange rate mechanism. No one could have witnessed the events of the past six months without concluding that the ERM is far from healthy. Indeed, at times the illness afflicting the ERM appeared fatal. However, the committee is not alone in failing to propose remedial action.

It is possible to identify two fundamental problems with the ERM. Both are potentially solvable. German reunification lies at the heart of last September's crisis. It transformed the system's anchor currency, the D-Mark, from a low-inflation currency into a high-inflation one. Germany now has the highest inflation rate of all the European Monetary System states, save Portugal and Greece. Convergence upon a high-inflation anchor yields an explosive process of rising real interest rates and deteriorating economic prospects. The best solution would have been for a general D-Mark revaluation that would have reduced the European-wide cost of German deflation. With greater pain than might otherwise have been inflicted, a D-Mark revaluation is in effect what has occurred in the ERM over the past six months. The high-inflation anchor problem is thus of diminishing importance.

But there remains another intractable problem. The prospect of European monetary union gives the ERM the force to withstand realignment pressures. Dashed hopes of an early move to Emu sparked September's currency debacle. However, the political will necessary to underwrite the economic pain required for the Maastricht convergence criteria to be met is no longer there. The fiscal conditions alone imply a draconian tightening of the EC's collective fiscal stance amid record and rising rates of unemployment. Unless the convergence criteria is balanced to ensure economic growth as well as fiscal prudence, Emu will be postponed indefinitely thereby condemning the ERM to being nothing more than a system of crawling currency pegs.

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High definition and digital TV battle unresolved

From Mark Shurmer.

Sir, The news that three consortia in the US high definition television contest have agreed a "grand alliance" which will submit a single digital standard to the Federal Communications Commission is welcome ("US deal will speed start of HDTV", May 25). The choice of the more more flexible digital terrestrial system undoubtedly gives HDTV its greatest chance of success and marks a considerable technological achievement for the Americans. All is, however, not lost for Europe's beleaguered consumer electronics industry. One must, for example, remain sceptical about the size of HDTV's potential market. It is not clear how much the viewer will value improved picture definition. HDTV is, in the short to medium term at least, likely to be confined to niche premium markets, such as film and live-sport channels. Our own estimates for this niche suggest a worldwide receiver market of \$5.53bn by 2004 – considerably less than dedicated HDTV advocates would have you believe.

Rather more significant is the impact that digital technology will have on normal definition services. Digital TV is more efficient; it uses less band-width. This means viewers will be able to receive many more channels. Since viewers value programme choice and quality above picture quality, it is to normal definition digital television that Europe's consumer electronics industry should not turn its attention.

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FINANCIAL TIMES

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Friday May 28 1993

Mr Clarke goes to Number 11

NORMAN LAMONT departed from Number 11 Downing Street yesterday, rather than last autumn, because the prime minister needed first to ratify the Maastricht treaty. Kenneth Clarke replaced him because of his political skills. Yet the reshuffle still looks the fruit of frailty rather than of foresight. Mr Lamont had to go. Mr Clarke is as credible a replacement as any. But the prime minister and his new chancellor have a mountainous task to demonstrate that the change means an improvement.

Pity Mr Lamont, a man who has genuine achievements to his credit. The new unified Budget is one. Since sterling's exit from the ERM, he has also set an explicit target for inflation, established a new panel of outside forecasters, commissioned the Bank of England's inflation report and given an explicit counter-inflationary mandate to the new governor. Among a number of imaginative fiscal policy reforms is this year's multi-stage Budget.

Above all, when Mr Lamont became chancellor of the exchequer underlying inflation was running at an annual rate of 8 per cent. Now it is 3 per cent. But this welcome change was the fruit of the longest recession since the 1930s. The recession was as unpopular as the chancellor's prattling about "green shoots" was ill-judged. ERM membership, a policy that Mr Lamont inherited from Mr Major, made the government persist with disinflation. As such, it was the source both of the government's principal success and Mr Lamont's downfall.

Ritual of reshuffles

The ex-chancellor's fate has elements of irony. Since he had no choice but to reiterate his commitment to the ERM parity, sterling's exit from the ERM, which brought forward the desired recovery, inevitably destroyed his credibility. But it also damaged that of the man who had chosen both policy and chancellor. For Mr Major to be forced to drop a chancellor for damage done by the collapse of the prime minister's policy, only to replace him with a rival for the premiership, shows how badly he too has been damaged.

The ritual of reshuffles can too easily be an alternative to serious policy-making. It ensures, among other things, that ministers are around long enough to do damage, but not long enough to learn from experience. The suspicion that this has been true of Mr Clarke cannot easily be stilled.

The new chancellor has many merits. He is, for example, an excellent advocate for his policies. He is also prepared to take on powerful interest groups. But he sometimes seems to like upsetting people almost for its own sake. Judged by what he left behind him in health and education, he may also lack the meticulous attention to detail and intellectual rigour required of a great reforming minister.

Rare opportunity

Mr Clarke has, in short, much to prove in taking on the second most important job in government. A good chancellor must be both prudent and tough. He must master an exceptionally complex brief and combine broad economic vision with interest in the details of financial and fiscal reform. Not least, he must have the diplomatic skills to deal with his peers in the Group of Seven leading industrial countries and the European Community, often from a position of weakness.

Above all, the chancellor must be able to work closely with the prime minister. So long as the structure of British government remains as centralised as it is, this relationship will be the pivot of politics.

Important decisions have to be taken. One is whether the UK is soon to rejoin the ERM. Ideally, as Mr Clarke himself has stated, this should be postponed. If it is, however, he will be in charge of a discretionary policy, subject to huge pressures to choose another inflationary dash for growth. Nothing in British experience suggests those pressures will be resisted. But posterity will judge Mr Clarke by whether he does. He will also be judged by how imaginatively he tackles fiscal and institutional reform.

Mr Clarke has at least the good fortune to inherit an economy standing on the brink of sustained recovery. He must show himself capable of combining with the prime minister to exploit that rare, if fragile, opportunity.

A welcome thaw in Beijing

MR CHRIS PATTEN might have longed to be part of the traffic in Downing Street yesterday. But in the governor's mansion in Hong Kong, he can take heart from a thawing of the Chinese freeze on discussions imposed in response to the constitutional proposals he made last October.

The business of the Joint Liaison Group, the body overseeing the detail of the 1997 handover of Hong Kong from British to Chinese sovereignty, has resumed with China's approval of franchises for electricity, cable television and land-fill. It was announced yesterday that the Sino-British Airport Committee would meet on June 4 to discuss financing for Hong Kong's new airport – China has withheld agreement on funding arrangements because of its opposition to Mr Patten's proposals.

Most important, talks in Beijing on Hong Kong's constitution have progressed through three rounds and appear to have gone beyond the initial exhaustive statement of principles. Though they seem still some distance – perhaps months – from the end, they are evidence of a more practical approach from Beijing.

Six-month aberration

Critics of Mr Patten's style of dealing with China say that London-Beijing relations have returned to previous practice after a six-month aberration caused by his proposals. What they mean is that things were successfully agreed in secret discussions in Beijing, and then announced to the people of Hong Kong. Mr Patten broke with that style, announcing his proposals without consulting the Chinese, and trying to expand the role of Hong Kong's legislators in the decision-making process. But according to the critics, Sino-British dealings have now reverted to the smoke-filled room: a secretly negotiated deal will emerge, to be nodded through by the Legislative Council.

If an agreement does emerge from the Beijing talks, it is certainly difficult to imagine Legco stopping it – though it is to be strongly hoped that it will be framed with the need for its approval in mind. Such an accord may well represent a substantial watering down of Mr Patten's plan to broaden the electoral franchise. However, it would be wrong to suggest that Mr Patten's approach had been fruitless. It has already produced lively, democratic debate in Hong Kong itself, of precisely the nature China did not want to see. Mr Patten may succeed in broadening democracy while preserving convergence with the post-1997 Basic Law.

Beijing's invective

The invective which Beijing has hurled at Mr Patten has neither forced him to back down nor undermined his popular support in Hong Kong. The cards which Mr Patten holds – the importance of Hong Kong's prosperity to China's growth, the huge investment stake held by China in the territory – have gradually asserted themselves as factors which China must take into account. And China has returned to the negotiating table.

China has larger reasons for wanting a smooth transition which secures Hong Kong's prosperity. Its international image has become increasingly important to it. China desperately wants to be awarded the Olympic Games in 2000. It wanted – and has all but obtained – renewal by President Bill Clinton of its most-favoured nation trading status. It has tried hard to keep such issues away from Hong Kong which it regards as something separate, to be negotiated only with London. But the country's increasing openness to the world inevitably means that issues become linked.

China's desire for reunification with Taiwan – its highest foreign policy priority – is the biggest reason for Beijing to want to ensure stability in Hong Kong. The growing desire in Taiwan for *de jure* independence from China – anathema to leaders both in Beijing and Taipei – has already led to "unofficial" mainland/Taiwan talks and agreement to hold more. China will want to be seen as a good landlord in Hong Kong because its actions will be closely watched from Taiwan. This may be Hong Kong's best and longest-term insurance policy. It certainly underlines the importance of a sensible outcome to the Beijing talks, not only for the participants, but also for anyone with a stake in this dynamic region.

Joe Rogaly

New partner at the last chance saloon

John Major has been forced to promote to chancellor the man who may ultimately threaten his leadership

It is John Major's last throw. The cabinet that takes office today has not been shaped in a moment of political calm, following a period of quiet deliberation, as the prime minister liked to pretend that it would be. It is much the same as yesterday's cabinet, save for a few repairs and renovations designed to camouflage the involuntary resignation of Mr Norman Lamont.

The other changes, those among junior ministers, have a logic of their own, founded on the happy departure of a cheerful Mr Tristan Garel-Jones from the Foreign Office, his Maastricht work done. The purpose of the curious reshuffle at the top is not to "refresh" the administration, as Downing Street put it, but to refresh the prime minister's hold on office. He was forced to dismiss his chancellor by the voters of Newbury, at a moment chosen by a rising chorus of would-be executioners – "assassins", he called them in an interview with the FT this week – in parliament and the press.

In spite of such imperatives, Mr Major evidently had to screw up his courage before he could dismiss the man who, in November 1990, managed his campaign to become party leader. This is hardly surprising. In matters of economic management Mr Lamont was the prime minister's alter ego. If the chancellor was responsible for the depth and persistence of the recession, so was the first lord of the Treasury. If Tweedledee's authority was destroyed by the expulsion of Britain from the exchange rate mechanism on Black Wednesday, so was Tweedledum's. The least popular prime minister since polling began could hardly afford to remove his unpopular chancellor; it might leave his own position exposed.

In the event, Mr Major could hold out no longer than this week. His resolution was strengthened when it became clear that the bill to ratify the Maastricht treaty would pass, Mr Garel-Jones would take his leave, and there would at least be a technical explanation for his actions. His hand was steadied by Sir Norman Fowler, the chairman of the Conservative party. His heart was given courage by intimations of his own political mortality.

If fate is kind, the consequent rearrangement of chairs may come to be seen as the beginning of the prime minister's recovery, the day on which his erstwhile partner began a long political exile while he, Stan Laurel, began the long march to triumph at the next general election. It is, however, a pretty rum rearrangement. With the single exception of Mr John Redwood, there is no addition to the cabinet; excepting Mr Lamont, there is no subtraction. Mr Redwood, whose task is presumably to privatise Wales, is a highly intelligent, right-wing, newcomer. Mr Lamont had similar credentials.

It is hardly a fresh beginning for a revitalised government. Perhaps it was too much to expect anything more. For we have to face an awful truth: there *is* no A-team. There is no pool of obviously superlative talent from which an energetic new Conservative administration might have been constructed. Mr Major has merely altered the job descriptions of a few of the members of his perpetual B-team.

This could be fatal. Another year of parliamentary humiliation, recalled policies, by-election losses, and uncertain economic recovery could be the end of our hapless prime minister. Thanks to the Labour party's everlasting deficiencies the general election victory might still be delivered, but not by Mr Major. A new Conservative leader, possibly Mr Kenneth Clarke, would stand on the balcony, taking the cheers the crowds.

There is a puzzle here. The prime minister knows what Mr Clarke's game is. The new chancellor has never hidden it. It is to become prime minister himself. When – if – he does he will be seen grinning hugely, beer mug in one hand, fat cigar in the other. This is not to say that he will be disloyal to Mr Major. That would be out of character. He can, however, have it both ways. He can adopt the costume and manner of a chancellor with as much panache as his considerable brain and engaging personality enable him to do, while yet telling his mirror that if the prime minister is by some mischance toppled, then he, Kenneth, will be available.

There would be no hope for him if, in the meantime, he made a mess of his new job. On this we must hold our breath. For all his political skills, when it comes to management of the economy, Mr Clarke is an innocent. He will be sandwiched between a prime minister who never forgets his own chancellorship and a Treasury mandarinate that is accustomed to educating new bosses. He is perhaps the only Conservative politician in play who has the self-confidence necessary to bluster his way through such obstacles. The last one, who was possessed of both the strong character *and* a knowledge of how the economy works, was Nigel Lawson.

The PM: altered the job descriptions of a few of the members of his B-team

Mr Clarke's advantage is that he is admired for the rumbustious manner in which he has beaten up public sector unions, from the British Medical Association, through the Royal College of Nursing to the many combinations of teachers. He was just squaring up to the police and the prison officers when he was whisked out of the Home Office. These brawls have the merit of destroying the power of vested interests; Mr Clarke's handling of them has the demerit of leaving nothing behind that quite works. He is good at communicating with the voters, and possesses a strong broad-brush sense of mission. He may be better qualified to be prime minister than head of any single department.

If he is too successful as chancellor he may never get his chance; Mr Major will reap the benefit. Mr Clarke's aim as chancellor will nevertheless be to make sound political judgments, as Sir Norman wants him to, and win votes for the Tories by establishing a rapport with a disenchanted electorate, as the party needs him to. His well-known disadvantage in this regard is that Tory Euro-sceptics mistrust him, which they well might, since on matters European he is the nearest thing in the cabinet to Mr Paddy Ashdown, the leader of the federalist Liberal Democrats.

Perhaps I am a trifle unfair. Mr John Gummer, the new environment secretary, is more Euro-centric than Mr Clarke; he confesses to regretting the passage of the Holy Roman Empire. What is remarkable is the continuing strength of the pro-Europeans in Mr Major's cabinet. With the foreign secretary, Mr Douglas Hurd, heading the field, they dominate the top echelons of the government. This is to the prime minister's credit. He has not sold out to the Euro-sceptics, as he might have done had he made Mr Michael Howard chancellor rather than home secretary. The latter appointment should, however, placate the Tory right.

Moving Mrs Gillian Shephard from employment to agriculture might be said to be a step in the sceptical direction, but then Mrs Shephard has yet to demonstrate that she can make an impact on any department. Mr David Hunt, her successor as employment secretary, has a good reputation as an individual of quality, although you have to discount for the context in which this assessment is made. He has managed Wales in more or less the Peter Walker left-of-centre tradition. Last night Mr Redwood was at pains to reassure his new subjects; he would be no hatchet-man, he intimated.

In short, it is hard to see what will have changed, beyond the career prospects of a few politicians. Mr Major is still Mr Major, with the same virtues and faults he had 24 hours ago. The government's majority is still 18. A forthcoming by-election may reduce it further. The public sector borrowing requirement is still expected to rise to £50bn. Proposals for spending cuts will still run into backbench opposition, suggestions that there should be tax increases quickly shot down.

Just as President Clinton is wrestling with his own party in Congress, so the phenomenon known as "gridlock", formerly confined to Washington, may be spreading to Mr Major's government in Britain. He knows what must be done to burst out of it. He needs: a period free of political pratfalls, a run of months of accident-free government, a strong economic recovery and a chancellor well able to spread the good news, a sign of the green shoots of Conservative electoral recovery, and a huge amount of good luck. Without all of that, he is done for.

Not-so-fresh faces solve no problems

By Samuel Brittan

Familiar, predictable, but none the less repellent. This is the quick reaction to John Major's capitulation, after recent political setbacks, to knee-jerk Conservative demands for a reshuffle and a new chancellor.

There was a time when Norman Lamont's resignation might have made some sense. This was after the massive blow to confidence inflicted by the UK's enforced departure from the exchange rate mechanism last September. Even so, it would have done so only as part of a much wider scrutiny into the full chain of events leading up to Black Wednesday.

Both replacing the chancellor and cabinet reshuffles are cliche reactions of the weaker type of politician. After the reshuffle, all the problems remain the same, the officials analysing them remain the same, and the intellectual machinery for tackling them – if you want to call it that – remains the same. There is just an interval for the fresh faces to learn their briefs and for trivial Whitehall gossip. Indeed, as far as the Treasury is concerned, the advent of a new chancellor is more likely to delay than to hasten any needed policy reappraisal, as when Selwyn Lloyd was sacked in similar circumstances in 1962.

The Tory party has a long history of useless blood-letting at No 11. There are some new twists this time round, all of them distasteful. John Major has been much more obviously pushed than Harold Macmillan used to be in both his actions and his timing by a hysterical campaign in the Tory tabloids, mutterings by backbenchers and by "Tory managers" which I take to be code for the party chairman, Sir Norman Fowler.

Another novel feature is the way in which Kenneth Clarke has shoved and bullied his way into Number 11. At one time I was impressed by his willingness to stand up to professional pressure groups instead of pretending, as most Tory ministers do, that he really agreed with them. Later I began to ask why Clarke had so much time to act as a self-appointed economic spokesman when the Home Office, of which he was supposed to be in charge, was full of enough problems to strain the most titanic politician.

This was not offset by Clarke's vociferous support for the Maastricht treaty combined with the boast that he had not read it. To

Replacing the chancellor and cabinet reshuffles are cliche reactions of weak politicians

trumpet one's ignorance is one of the more stupid English characteristics against which Prince Albert fought a brave campaign, cut short by early death.

But most distasteful of all was his semi-public campaign of denigration of Lamont and of self-promotion in order to become chancellor himself. If ever the Tory party had really been run by gentlemen, he would have been lucky to remain in the cabinet at all, let alone become chancellor.

Obviously Lamont was not a heroic figure, but history is likely to record him as one of the better chancellors. His lasting achievements will be in structural reform. An example was his gradual whittling down of mortgage tax relief which Margaret Thatcher had refused to touch. Another was his move to unify tax and spending decisions in a single Budget.

He was also alert for seemingly modest but ultimately very important supply side measures. An example was his embrace of Dennis Snower's scheme to enable the unemployed to offer their dole as a wage subsidy instead. The watering-down of the scheme was mainly due to stick-in-the-muds at the employment department.

Above all, both inside and outside the ERM, he was determined to give priority to securing and maintaining low inflation. This is not because he was a fanatic, but because he was highly sceptical of many of the claims made for the government's ability to promote economic growth, and realised that it was all too easy to sacrifice price stability without helping output and jobs in the longer run.

Lamont also knew that public sector borrowing of £50bn would sooner or later run into trouble, and his delayed-action tax increases designed to take effect with economic recovery, struck the right balance.

He leaves behind an economy with a faster growth rate than that of any other of the main G7 countries and an underlying rate of inflation lower than in most. He had everything to gain and nothing to lose from entrenching low inflation, and Clarke will have his work cut out to prove that his own motivations are the same. His obvious view of No 11 as mainly a stepping stone to the premiership will not help his street credibility.

Meanwhile Lamont can now expect a wave of sympathy from many in his own party and outside, including those who were most vociferous in demanding his head. But like most things in politics and life this sympathy will be too late.

OBSERVER

Rose-tinted rear mirror

■ Observer's "Micawber" award for positive thinking goes to the annual report just published by Ford of Britain. "We ended 1992 on an encouraging note," breezes chairman Ian McAllister, before mapping out his first year's stewardship with landmarks such as the following.

The Ford Escort was the UK best seller last year...Ford's share of the commercial vehicle market rose...so did productivity at Dagenham by almost a quarter...quality was up...warranty costs were down...there was a Queen's Award for Exports.

To boot, he goes on, the organisation is "well on the path towards global competitiveness". And, with "exciting new products coming on stream and new levels of performance and efficiency", now is the time "to consolidate our leadership of the UK automotive industry."

With so golden a future evidently ahead, it seems a pity to look back – as the eight-page commentary does not – to other landmarks in the rear mirror, including:

The £353m pre-tax loss...the £330m new equity pumped in for a second successive year's subvention from Detroit...the drop in car production, and the shrinking car-market share...the loss of 5,000 jobs, or 12 per cent of the workforce...the negative trade balance. After all, it's only the annual report.

Clickety click

■ Kenneth Clarke's appointment as Chancellor of the Exchequer continues a recent tradition – that the man at number 11, Downing St, should have six letters in his surname. Four out of the previous six chancellors – Barber, Healey, Lawson and Lamont – have met this criterion, and the "sixers" have been in office for 18 of the last 23 years. The two exceptions – Howe and Major – both saw recessions start during their term of office. That either means that Kenneth Clarke's appointment is a good omen for the UK economy, or that he will lose his job before the next recession begins.

British blossom

■ Who said that foreigners can't get ahead in Japanese banks? David H Drewery, 55, who had spent all his life with Lloyds Bank until three years ago, has won a place in banking history books by becoming the first non-Japanese to be appointed a main board director of a big Japanese bank – Daiwa, 25th biggest in the world.

New York-based Drewery, who parted company with Lloyds when the latter sold its US business to Daiwa in March 1990, seems a little abashed by his speed of ascent up

'I blame everything on Kenneth Clarke'

the Daiwa hierarchy, especially since he can't speak Japanese. Presumably, Drewery's old bosses at Lloyds will be conducting some sort of post-mortem, since the promotion suggests that the Japanese have been able to make more of a go of the business than Lloyds.

Showing off

■ It wasn't only Sir Leon Brittan's passionate espousal of European integration which wowed his German audience at the Konrad Adenauer institute in Bonn yesterday. It was his ability to deliver an almost hour-long speech in impeccable German.

His performance clearly delighted the many campaigners in Bonn trying to get German promoted to a full working language in Brussels. If it's true that Sir Leon has ambitions to succeed Jacques Delors at the top of the Commission, then his tour-de-force in front of Chancellor Helmut Kohl can't have done him any harm.

Drucker talk

■ Grand old man of management Peter Drucker never lacks good stories to back up his thoughts. But one lunchtime anecdote yesterday may not have been wholly appreciated by his host, Reed Elsevier boss Peter Davis.

Drucker, sharp as ever at 83, recalled the first management committee meeting of the Chase and Manhattan banks, back in 1954. Of the 90 people present, he said reprovingly, he was the only one under 59. "But it was OK", he added quickly, "for within five years all of them had gone. As far as I'm concerned it is the only recipe for a merger to work."

Whereupon, no doubt by pure coincidence, 51-year-old Davis, whose Anglo-Dutch publishing group was formed from just such a marriage last year, left.

Bottom to top

■ Of all the graduates of the London School of Economics who have risen to eminence world-wide, none can have achieved a bigger leap than the one who returned there to lecture this week. He is K R Narayanan, now vice-president of India, but born of the humblest origins in the south of the country.

From the LSE he went on to work as a journalist, author, politician, civil servant, and ambassador to China and the US. But his success may owe less to the first-class degree in politics he won at the school than to the help of one of his tutors, Harold Laski, who personally commended him to Jawaharlal Nehru.

Narayanan's *harijan* origins evidently struck a chord with former Labour chairman Laski, whom Conservatives were apt to guy as the next best thing to the devil. "Oh don't worry," he declared on hearing of his student's humble birth, "I, too, am an untouchable."

Down and out

■ Glasses were being raised at Number 11 Downing Street last night, but not in honour of its new occupants. The occasion was a fund-raiser arranged months earlier by Mrs Rosemary Lamont for the Family Service Units charity. That could be handy, since the organisation specialises in helping people with no jobs and no homes. But the Lamonts should have been forewarned. FSU's last reception, a year ago, was at Canary Wharf and sponsored by Olympia and York, its owners. Days later, the development went into receivership.

FINANCIAL TIMES
Friday May 28 1993

Russian authorities flounder as bank puts the rouble in trouble

IN THE ornate hall of a Stalinist-era skyscraper, the young men with the cellular telephones yesterday saw the relentless slide of the rouble as a reflection of everything that is wrong with the Russian economy.

As the Russian currency teetered on the brink of the psychological threshold of Rbs1,000 to the dollar – only to be stopped at Rbs994 by the central bank selling what is thought to have been $30m for roubles, so President Boris Yeltsin was telling the cabinet that stabilising the exchange rate should be one of its key priorities.

Apart from making the politicians jumpy, the currency's slide is seen as a national humiliation by ordinary Russians brought up on decades of the artificially fixed exchange rate where the rouble was worth more than the US dollar.

"This psychological aspect does not affect dealers and banks as it does public opinion," said an official on Moscow's Inter-bank Currency Exchange (Micex), where the rouble is traded twice a week.

Public sees collapse as national humiliation, writes Leyla Boulton

"Those who are part of the market have a kind of objective view of what's happening."

Since the launch of market reforms 18 months ago, the rouble's decline against the dollar from Rbs200 has been an unpleasant mirror of high inflation, lax credit policies and a lack of faith in politicians' promises to make things better. Few observers doubt that it will go through the Rbs1,000 barrier when trading resumes on Monday.

Mr Andrei Koshelev, one of the dealers representing the Russian banks that trade on the exchange, said: "It would be very strange if the rouble stabilised, since credit emission is continuing despite all this talk of stabilisation."

In his office on the other side of the Moscow River, Mr Kakha Bendukidze, one of Russia's wealthiest men, smiles with satisfaction. As the head of a large private group of companies, he makes most of his money exporting Russia's rich natural resources for dollars. Because the currency's fall is uninterrupted, it is more predictable.

The rouble's slide has, however, caused him to stop importing consumer goods for sale in Russia. For state importers of commodities such as sugar and grain, which continue to enjoy subsidised exchange rates, the shock has been less brutal. But the subsidies indirectly fuel inflation, because the central bank simply prints the money to cover the extra expenditure.

Officially, the government and the central bank have agreed that the latter will no longer sell precious dollars to support the rouble until inflation is brought under control.

Apart from stabilising the country's finances by cutting the budget deficit, Mr Boris Fyodorov, the finance minister, wants to widen and deepen the currency market through so-called technical measures.

Those include plans to allow foreign businessmen to open rouble bank accounts and sell hard currency, a move that has been resisted by the central bank as enabling foreigners to buy up Russian assets on the cheap. But many officials agree with western lawyers and bankers that opening the market will not help unless the Russian authorities define clearly what foreigners are allowed to do with roubles.

There is little doubt that the most important obstacle to the rouble's stabilisation is the authorities' lack of credibility, stemming from their failure to implement a united and comprehensive economic reform package. Not only do the central bank and finance ministry not trust each other, but the cabinet itself is divided between radical reformers and conservatives. Mr Yeltsin has yet to use his victory in the referendum last month to break the deadlock.

Peseta under pressure ahead of Spanish election

By Peter Bruce in Madrid and James Blitz in London

THE SPANISH peseta emerged bruised from foreign exchange markets yesterday, just two weeks after an 8 per cent devaluation and 10 days ahead of a general election in which the two main parties have been neck-and-neck.

The currency dipped briefly below its new central rate against the D-Mark as dealers took the view that the country's interest rates might be cut around the time of the June 6 election. The renewed turbulence, following the third devaluation in less than nine months has raised fears that the final week of the campaign could see the currency come under serious attack.

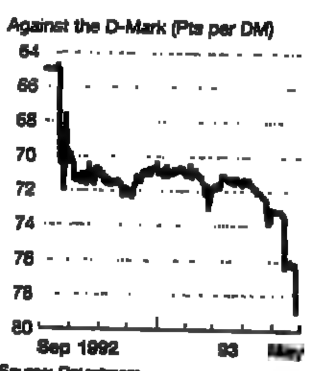
After closing in London on Wednesday night at Pta77.88 against the D-Mark, the peseta plunged to a low of Pta79.50, beyond its central rate of Pta79.11. The currency later recovered partially to close in London at Pta78.83.

Yesterday's fall coincided with signs that the conservative Partido Popular, led by Mr José Maria Aznar, may be opening up a lead over the governing Socialist party led by Mr Felipe González, the current prime minister.

Dealers in currency markets have expressed fears in recent days that, if Mr Aznar is elected as prime minister, he might ease monetary policy to stimulate the Spanish economy.

Peseta

Against the D-Mark (Pts per DM)



Source: Datastream

PP officials yesterday issued a statement underlining their commitment to the peseta's membership of the European exchange rate mechanism, in a move which helped lift the peseta back above its central rate. The Socialists also strongly deny contemplating a departure from the ERM as part of an effort to kickstart the economy.

Spanish government officials yesterday accused dealers of undervaluing the currency, but analysts continued to believe that rates will have to fall quickly if a new government is to pull the economy out of its recession as soon as possible.

The Bank of Spain cut its benchmark intervention rate from 13 per cent to 11.5 per cent after the devaluation on May 13 and then by a further quarter point last week, to 11.25 per cent. But some economists were suggesting yesterday that rates might have to fall as low as 8 per cent to begin to have any effect on the economy.

Opinion polls do not show the effect on public opinion of a televised debate last Monday night between Mr González and Mr Aznar. However, the general perception is that Mr Aznar did very well in the debate.

The next few days may see a big swing towards the PP, perhaps allowing it to form a minority government on its own and relieving it of political pressure to implement a hasty recovery programme.

Currencies, Page 40

China to resume HK airport talks with Britain

By Simon Holberton in Hong Kong

CHINA yesterday agreed to resume high-level talks with Britain about Hong Kong's airport project, ending an eight month hiatus in negotiations for the financing of one of Asia's most ambitious infrastructure developments.

The Hong Kong government said yesterday that the Airport Committee of the Sino-British Joint Liaison Group would meet on Friday next week – the fourth anniversary of the suppression of the Beijing democracy movement on June 4 1989. The committee last met in October.

The prospect of the meeting buoyed the Hong Kong stock market, which rose nearly 100 points to close at a record 7,447.24. The colony's financial markets interpreted earlier reports of a meeting as heralding a possible solution to the impasse over financing the HK$165bn ($21.4bn) project.

Hong Kong officials warned that it was unlikely the airport issue would be settled at the first meeting. But it does come at a critical time as funding for the Provisional Airport Authority's administrative expenses expires at the end of June. The Legislative Council, the colony's lawmaking body, is due to reconsider voting the PAA more money shortly and many members will take their lead from China.

China has recently moved to improve the atmosphere surrounding Anglo-Chinese discussions about Hong Kong's economic development. In the past Beijing had linked Hong Kong economic issues to Mr Chris Patten, the governor, withdrawing his proposals for democratic development in Hong Kong.

There have, however, been indications that China was prepared to resume talks about the airport. In what was seen as another positive development, Beijing last week approved three non-airport-related business franchises which span the 1997 transfer of Hong Kong's sovereignty to China.

The apparent willingness of Beijing to consider the financing of the airport and its rail link prompted the Hong Kong government, almost a month ago, to put forward a portfolio of alternative funding proposals. They have been designed to allay China's concerns over large amounts of debt that might be incurred to pay for the project.

British officials connected to the discussions said they had been encouraged by the Chinese insistence that the details of the most recent proposals be kept confidential.

Editorial Comment, Page 15

Car bomb damages Uffizi

Continued from Page 1

others, including priceless works by Rubens, Van Dyke and Artemesa Gentilleschi. Yesterday Uffizi staff were moving nearly 1,000 pictures to safe places.

Haig Simonian adds from Milan: Mr Luciano Violante, chairman of the parliamentary anti-Mafia commission, attributed the incident to either the Mafia or its Neapolitan equivalent. They are the only criminal organisations able to mount such an attack and to benefit from the diversion of police resources it would create, he argued.

Italy's three big trade union federations called a two-hour general strike for today to protest at the bombing and to underline their "solidarity" with the city of Florence.

Rescuers help people leave their home after it was devastated by yesterday's car bomb in Florence. The explosion caused six deaths

Clinton defends his record in office

Continued from Page 1

200 members of the public in the Rose Garden were about national economic and social issues, while the programme's hosts concentrated on the controversies over the White House travel office and Mr Clinton's haircut on board Air Force One which delayed traffic at Los Angeles airport.

On the latter issues, Mr Clinton conceded only "a few glitches" in their public presentation. He said reforming the travel office would save money and was "good for the country and good for the taxpayer". He flatly denied charges of nepotism and cronyism over proposed alternative travel arrangements.

He insisted his staff had only followed past practice in calling in the FBI to investigate the travel office without directly consulting the attorney-general's office. But he praised Ms Janet Reno, the attorney-general for her "great judgment", adding "she can question whatever she wants to".

He also defended his White House staff who, he said, were not as young as popularly supposed. He would neither confirm nor deny that he was considering bringing in political heavyweights well versed in government to bolster the operation.

THE LEX COLUMN

Clarke's new shoes

Mr Kenneth Clarke has a reputation as something of a bruiser, so he may be equipped to curb the government's deficit. But he also has an acknowledged ambition to become prime minister. That means he must want to be liked. The initial inference from his appointment as chancellor must be that a growth-orientated economic policy will continue. There is a slightly increased chance of a cut in interest rates, especially if that would help win the Christchurch by-election, and Mr Clarke may dawdle over the PSBR.

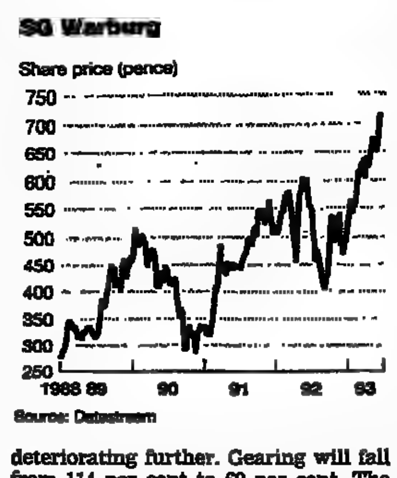
The overall message is broadly bad for gilts and sterling, but good for equities, yet the markets were reluctant yesterday to take the implications on board in anything more than a tentative way. Equities showed only modest gains, the long gilt future was broadly flat and sterling, though weaker, still closed above DM2.50. Perhaps that stems from a realisation that Mr Clarke is hemmed in, just as Mr Norman Lamont was. Growth is constrained by the balance of payments; it would be difficult to cut interest rates without a damaging row with the Bank of England's robust new governor.

Mr Lamont was outspoken about inflation but suffered from a lack of credibility in the City, especially after the UK's exit from the ERM. Mr Clarke does not – yet – face that handicap. Despite his European sympathies, he also knows when to avoid breaking into French. However the markets will judge him on the speed with which the PSBR is tackled and his readiness to rein in monetary policy once inflation starts to rise again. They seem sceptical but inclined to give him a chance. Given the unhappy legacies he has left elsewhere, it would be rash to assume he will use it.

FT-SE Index: 2855.3 (+8.4)

SG Warburg

Share price (pence)



Source: Datastream

Hammerson

There was no doubt Hammerson needed a rights issue. Having lost £1bn of shareholders' funds since 1989, Hammerson had to strengthen its balance sheet somehow if it was not to be forced into selling its better properties at silly prices. The old management's record scarcely allowed it to tap shareholders for fresh funds. Just 37 days into the job, the new chief executive clearly did not suffer the same predicament.

The £199m proceeds will help Hammerson preserve value, with £60m being used to spruce up its existing portfolio. But the main rationale was simply to stop Hammerson's finances deteriorating further. Gearing will fall from 114 per cent to 69 per cent. The cut dividend will be secured. Yet these are meagre attractions when set against a 14 per cent dilution in net assets – especially at a time when other companies are raising cash to buy cheap properties to fuel income growth.

Hammerson's cash call is an opportunistic attempt to exploit the groundswell of favourable sentiment towards the property sector as a whole. The trouble is that the sector's principal appeals hardly apply to Hammerson. Asset values will fall further this year while its dividend yield languishes. Moreover, 60 per cent of its portfolio is overseas, frustrating those seeking exposure to the UK's incipient upturn. Fund managers will surely soon tire of stumping up funds on the basis of such skimpy stories. That, though, may simply prompt other straitened property companies to jump in quick.

S.G. Warburg

The story of S.G. Warburg is really a tale of two companies. Mercury Asset Management, in which it has a 75 per cent stake and which contributes nearly half its operating profits, is going from strength to strength. On the other hand, the investment banking business made a return on capital last year of only around 14 per cent despite a sharp improvement in the second half.

The temptation must be to bypass Warburg and buy straight into Mercury. Only the possibility that Warburg's share price may not yet have fully discounted a cyclical recovery in investment banking gives ground for second thoughts. Warburg's poor level of disclosure would be deplored by its own star-rated analysts if it was adopted by any other company. There is no detail on costs and no breakdown of investment banking revenue. It appears that advisory fees are showing some recovery, but the second half turnround owes more to increased trading activity. Making money from trading is easy when the yield curve is positive. Warburg's bond market losses in the first half are a reminder that its judgment is less than perfect when conditions are difficult.

Perhaps its controls are now strong enough to reduce this risk. The acquisition of KC-CO will enhance its skills in derivatives, where the bank has been relatively weak, but if the shares are to offer long-term promise, Warburg must show that it has found a sustainable way of increasing its return.

National Power

National Power's ultra-cautious accounting policies disguise the true strength of the its financial position. Despite cutting the workforce from 17,000 to 7,000 in three years, the company has found a further £150m of future restructuring costs which need to be provided for in the 1992 figures. It has also accelerated depreciation to take account of the shorter life of power stations. As always, purchases of British coal have been written down to world market prices – a policy which cost £545m in 1992. The company argues that it is now having to shut newer stations with higher book values, hence the extra provisions, while writing down coal stocks and adjusting depreciation is no more than prudent.

All this is true sr far as it goes, but the 16 per cent increase in dividend, 3.1 times dividend cover and gearing of 13 per cent give a better guide to the company's long term financial prospects. On projected 1993 figures, National Power has an above-market yield while its prospective price earnings ratio is around 10. Yet the company's capacity for above average dividend increases should ensure that its shares outperform the market in the medium term. If it can reduce its market share further, through a mixture of asset sales and making room for gas and nuclear plant, it may also avoid a reference to the Monopolies and Mergers Commission. The regulatory risks, which have been the main brake on the share price, look overdone.

World Weather

		°C	°F
Ajaccio	S	25	77
Algiers	S	27	81
Amsterdam	Dr	13	55
Athens	S	25	77
Bahrain	S	34	93
Bangkok	F	35	95
Barcelona	S	21	70
Beijing	S	32	90
Beirut	F	23	73
Belfast	R	8	46
Belgrade	F	31	88
Berlin	R	13	55
Bermuda	F	23	73
Bombay	F	32	90
Bordeaux	F	19	66

		°C	°F
Boulogne	C	15	59
Brussels	F	19	66
Budapest	S	28	82
Buenos Aires	F	11	51
Cairo	S	31	88
Cape Town	[illegible]	16	59
Caracas	C	29	84
Casablanca †	F	21	70
Chicago †	C	15	59
Cologne	F	20	68
Copenhagen	F	17	63
Corfu	S	26	79
Dallas †	S	16	61
Dublin	Dr	10	50
Dubrovnik	S	26	79
Edinburgh	C	9	48
Faro	F	20	68
Florence	S	30	86

		°C	°F
Frankfurt	C	19	66
Geneva	F	23	73
Gibraltar	F	20	68
Glasgow	C	10	50
Helsinki	S	11	52
Hong Kong	F	28	82
Innsbruck	F	27	81
Inverness	C	9	48
Islamabad	F	42	108
Istanbul	S	22	72
Jakarta	C	32	90
Johannesburg	S	19	66
Lisbon	F	19	66
London	C	14	57
Los Angeles †	S	14	57
Luxembourg	C	18	64
Madeira	F	21	70
Madrid	C	17	63

		°C	°F
Majorca	S	26	79
Malaga	F	21	70
Malta	S	27	81
Manila	F	36	97
Melbourne	C	14	57
Mexico City	C	22	71
Miami †	S	26	79
Milan	F	26	79
Montreal †	R	10	50
Moscow	C	12	54
Munich	F	21	70
Nairobi	F	26	79
Naples	S	28	82
Nassau	C	29	84
New Delhi	S	40	104
New York †	S	18	64
Nice	F	22	72
Nicosia	S	24	75

		°C	°F
Oporto	C	15	59
Oslo	S	16	61
Paris	S	20	68
Prague	R	19	66
Reykjavik	F	10	50
Rhodes	S	24	75
Rio de Janeiro	F	29	84
Rome	S	28	82
Salzburg	F	23	73
S'Francisco †	C	16	61
Seoul	S	27	81
Singapore	F	32	90
Stockholm	F	14	57
Strasbourg	S	24	75
Sydney	C	18	64
Taipei	R	26	79
Tangier	C	19	66
Tel Aviv	S	29	84

		°C	°F
Tenerife	C	23	73
Tokyo	S	25	77
Toronto †	F	7	45
Tunis	S	31	88
Valencia	F	26	79
Venice	F	25	77
Vienna	F	25	77
Warsaw	R	10	50
Washington †	S	16	61
Zurich	F	20	68

Temperatures at midday yesterday
† Noon GMT temperatures
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Friday May 28 1993

INSIDE

Cemex issues $1bn, five-year Eurobond

Cemex, the largest Mexican cement company and the fourth largest cement company in the world, yesterday launched the biggest Eurobond ever by an emerging market name with a $1bn, five-year offering. The deal is seen as setting a benchmark among Mexican issues. Page 22

Babcock cuts jobs to grow

Babcock International, the UK engineering group, is to cut up to 500 jobs at its Renfrew plant outside Glasgow. Mr Jeff Whalley (left), acting chief executive, said the changes would allow Renfrew to be a smaller manufacturing base for a more aggressive push into international markets. Page 24

MB-Caradon expands in US

MB-Caradon, the UK building products and security printing company, is expanding its US printing activities by buying Checks in the Mail, a maker of bank cheques sold directly to customers through the post. Page 23

Thorntons rebuilds in France

The deteriorating French economy has forced Thorntons, the UK chocolate maker and retailer, to restructure its French business which is expected to incur a loss for the year. Page 25

Growth at Chilean copper mine

A $284m expansion of Escondida in Chile, the world's second largest copper mine, has been given the go-ahead. The expansion will take Escondida's output from 390,000 tonnes this year to 480,000 in 1995. Page 34

Equities dance in Brazil

Brazil has a monthly inflation rate of nearly 30 per cent and the average tenure of a finance minister is about two months, but its equity market is still dancing. On Wednesday, the Sao Paulo Stock Exchange's Bovespa index registered its twelfth consecutive daily gain. Back Page

Minolta declines 38%

Minolta Camera, a leading Japanese precision instrument maker, saw pre-tax profit decline by about 38 per cent to Y13.6bn ($125m) for the fiscal year ended March. It blamed patent dispute payments with US-based Honeywell, weak domestic demand and losses on inventories. Page 21

Milan modernises

The Milan stock exchange is set to lose its reputation for having one of the longest settlement periods in the world for orders with the introduction of a new timetable designed to cut settlement from six weeks to just three working days. The settlement plan is part of a broader campaign to modernise Italian equity trading. Page 22

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MB-Caradon	23	Veba	18
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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asko	675	+	27
Deutsche Babck	157	+	4.5
Linotype-Hell	440	+	9.5
Preussag	354.5	+	7.6
Falls			
DLW	424.5	–	5.5
Linde	710.5	–	10.5

NEW YORK ($)

Rises			
Caterpillar	72⅛	+	2
Chevron	87¾	+	2¼
GFC Financial	29¾	+	⅞
Intl Paper	67⅞	+	½
Morgan Stanley	66⅞	+	2⅝
Falls			
Student Loan	45⅝	–	2

New York prices at 12:30.

PARIS (FFr)

Rises			
Bancaire Cie	[illegible]	+	14.8
CCF	245.8	+	8.8
Dollfus Mieg Cie	264	+	14
EBF	692	+	29
Nord Est	148.5	+	7.5
Falls			
Credit Local Fr	404.1	–	15.9

TOKYO (Yen)

Rises			
Daido Steel	605	+	50
Hitachi Metals	1100	+	90
Japan Metals	780	+	63
Sumitomo Metals	2750	+	480
Falls			
Okuma	1000	–	50
Yokogawa Elec	918	–	39

LONDON (Pence)

Rises			
Austin Reed A	130	+	10
City of Lon PR	55	+	5
Davidson Grp	94	+	9
Guinness	475	+	15
HTV	50	+	4
Kembrey	13½	+	4½
MTM	14½	+	3
Mercury Asset	509	+	29
National Power	346	+	11
Olives Prop	46	+	12
PowerGen	356	+	11½
Resort Hotels	49	+	3
Sainsbury (J)	487	+	12
Suter	153	+	9
Ulster TV	414	+	20
Warburg (SG)	717	+	23
Falls			
Davenport Vern	142	–	5
Dunhill	388	–	11
Fairline Boats	320	–	27
Guest	372	–	17
Lonrho	115	–	7
Redland	493	–	11
Smart (J)	205	–	15
Thorntons	144	–	26

Provisions raised by 70% as average pre-tax profits fall for fourth year running

Japanese banks increase loan write-offs

By Robert Thomson in Tokyo

LEADING Japanese banks yesterday raised their provisions for bad loans by an average of 70 per cent for the year ended March. They made it clear, however, that it will take several years to clear the financial debris from the lending excesses of the late 1980s.

For the first time, the 11 leading commercial banks, known as "city banks" in Japan, announced individual non-performing loan estimates, ranging from 1.58 per cent of outstanding loans at Mitsubishi Bank to 4.8 per cent at Hokkaido Takushoku Bank. They also announced that they have a collective Y8,435.1bn ($76.7m) in problem loans.

These amounts do not reflect the full damage done by the domestic property market collapse. Moreover, a 478 per cent year-on-year increase in write-offs is more indicative of the low level of previous write-offs than a push to fully account for problem lending.

Pre-tax profits fell by an average of 32.4 per cent, the fourth consecutive year of decline, though a fall in interest rates, a widening of lending spreads and a revived bond market enabled the 11 institutions to record an average rise of 30.9 per cent in business profits.

The banks' reluctance to write off their bad debts is likely to be matched by a hesitation to lend in the next few years, meaning that international companies will find it more difficult to secure Japanese funds and that the recovery of the domestic economy could be hindered.

Sumitomo Bank, entangled in the collapse of the trading house Itoman, was the most aggressive in providing for non-performing loans, writing-off Y104.3bn and providing Y97.8bn in fresh reserves, behind an 87.2 per cent drop in net profit.

All 11 banks were able to celebrate capital adequacy ratios comfortably above the 8 per cent threshold as defined by the Bank for International Settlements. The ratios of capital to assets ranged from 8.96 per cent at Sakura Bank to 9.61 per cent at the Bank of Tokyo, after most institutions took on subordinated debt and trimmed assets to bolster their ratios.

Apart from higher loan loss provisions, the banks' profits were hit by appraisal losses on securities holdings, which would have been greater but for a surge in stock prices at the end of the financial year.

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Fujitsu set to cut dividend after loss

By Michiyo Nakamoto in Tokyo

FUJITSU, Japan's largest computer manufacturer which owns ICL, the UK-based computer group, has dropped into loss for the year ended March, and plans to cut its dividend.

Pre-tax losses – Fujitsu's first since it was introduced to the stock market in 1949 – are Y8.7bn ($79m) for the parent company, compared with profits of Y40bn in 1991-92.

On a consolidated basis, the pre-tax loss was Y16.1bn against profits of Y51.5bn after taking in losses at subsidiaries, including overseas operations.

ICL, however, was one of the "elite" companies, Fujitsu said. ICL made pre-tax profits of £38.6m ($59.44m) for the year ended December 1992.

Sales for the parent company dropped 1.5 per cent to Y2,398bn while on a consolidated basis sales were up marginally at Y34,619bn.

The steep decline in investment in information technology by Japanese corporations in the past few years came at a time when Fujitsu's costs have been at a particularly high level. This was due to a management decision to invest heavily in strategic areas, particularly semi-conductors, and to keep employment levels high.

It is also bearing a good part of the depreciation costs on its £200m initial investment in a new semi-conductor plant it has built in the UK.

As a result, the decline in sales led directly to a fall in operating profits which were down by 76 per cent to Y15.9bn.

A 4 per cent decline in sales of information processing equipment, which make up over 73 per cent of total revenues, wiped out the beneficial impact of a 7 per cent increase in overseas sales. Large mainframe computers, a profitable business for Fujitsu, were particularly affected.

Fujitsu was obliged to sell stock holdings to boost its results, with a Y14.6bn profit on securities sales.

It is not optimistic about the outlook for the current year.

Parent sales are forecast to be lower at Y2,210bn. However, Fujitsu believes the benefits of a restructuring programme and cost cutting will help lift pre-tax profits to Y30bn. On a consolidated basis, Fujitsu sales are expected to drop 5 per cent drop to Y3,280bn and it hopes to break even at the net profit level.

Crédit Local move will test reaction to French sell-offs

Société Générale plans higher stakes in former state-owned groups such as Rhône-Poulenc

By Alice Rawsthorn in Paris

THE French government's privatisation programme yesterday rolled into action with the announcement of plans to raise up to FFr5bn ($910m) from the sale of a 30 per cent stake in Crédit Local de France, a bank specialising in local authority loans.

Meanwhile Société Générale, the French bank which was privatised by the last centre-right government, disclosed that it intends to participate in the new round of share sales by increasing its holding in a number of privatised companies including the Rhône-Poulenc chemicals group and Assurances Générales de France, the insurance company.

Mr Marc Viénot, chairman, said Société Générale planned to play the roles of "adviser, vendor and investor" in the forthcoming share sales. His comments followed an appeal by the new government for private sector companies to act as *noyaux durs*, long-term investors, in the newly privatised state concerns.

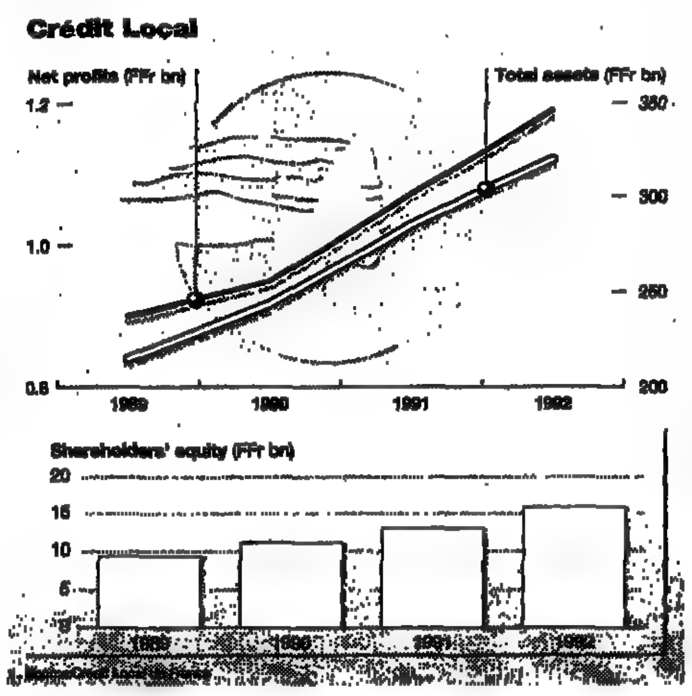
Marc Viénot: planned to be 'adviser, vendor and investor'

Société Générale, which also yesterday announced that net profits were likely to be static for the second successive year at FFr3.3bn in 1993, last month took a stake in Total, the oil company, as part of a consortium of *noyaux durs*.

The Crédit Local share sale will be the first of the new government's privatisation issues. The news of the issue followed shortly after Mr Edmond Alphandéry, economy minister, on Wednesday unveiled details of his plans to sell off 21 public sector companies including Banque Nationale de Paris and the Renault motor group.

Crédit Local, which was partially privatised by the old socialist government, was not on the Alphandéry list as its privatisation was already authorised under French law. But the sale of its shares, scheduled to take place before the end of June, will be an important test of the stock market's reaction to privatisations.

The government plans to sell 109m Crédit Local shares, thereby reducing its direct stake from 25.5 per cent to 8 per cent and that of the Caisse des Dépôts, a public sector funding institution, from 25 per cent to 12 per cent. Mr Pierre Richard, chairman, said that the shares were likely to be priced at just over FFr400 thereby raising up to FFr5bn.



Crédit Local, which was created in 1987 by the last conservative administration in a review of local authority funding, has emerged unscathed from the recent problems of the French banking industry. It recently reported an 11 per cent rise in net profits from FFr1.07bn in 1991 to FFr1.19bn in 1992 on consolidated net banking income up by 10 per cent from FFr2.6bn to FFr2.8bn.

● Union des Assurances de Paris (UAP) will remain a shareholder in Belgian insurer Royale Belge, according to Mr Jean Peyrelevade, chief executive.

"Whatever our shareholdership, public or private, we will ensure Royale Belge's shareholdership remains stable. We have no intention to give up our position," he said. UAP holds 52.4 per cent of Royale Belge via 74.9 per cent-controlled Royale Vendome.

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Elf warns of steep fall in operating profits

By Alice Rawsthorn in Paris

ELF-Aquitaine, the oil and chemicals group which is high on the list of companies to be sold off under the French government's latest privatisation programme, yesterday warned of a sharp fall in operating profits for the first half of this year.

Mr Loïk Le Floch-Prigent, chairman and chief executive, told a shareholders' meeting in Paris that, judging by Elf's performance in the first four months of this year, the level of operating profits for the first six months would be some 25 per cent lower than the FFr7.9bn ($1.44bn) made in the same period of 1992.

The group was hit last year by declining oil prices, the French franc's strength against other currencies and the general effects of the economic slowdown. It suffered a fall in net profits from FFr9.8bn in 1991 to FFr6.2bn in 1992 on sales of FFr200bn.

Mr Le Floch-Prigent, who had earlier stated that he hoped Elf would return to net profits growth in 1993, said the group's performance at the start of the year had been affected by the "particularly poor" economic environment.

He said Elf had seen a "continuation of the last months of 1992 in terms of the level of economic activity, refining margins and petrochemicals." However he did not comment on how these difficulties would affect his aim of a return to growth for the full year.

Elf's oil activities have been affected By the mild winter weather, which meant that stocks remained relatively high thereby depressing prices and refining margins. By contrast, its exploration business fared well. The chemicals division was hit by German cuts in health spending and by the franc's continued strength.

Mr Le Floch-Prigent said Elf was responding to the competitive climate by pruning expenditure. The level of investment will be reduced by more than 10 per cent in 1993.

The group also plans to be "particularly selective" in its acquisitions this year and to raise FFr5bn from disposals. However it plans to press ahead with the expansion of its oil exploration interests.

National Power sharpens its focus on overseas markets

By Michael Smith and Bernard Gray in London

NATIONAL POWER, the UK electricity generator, yesterday unveiled details of a management re-organisation as it reported a 13 per cent increase in preliminary pre-tax profits and raised dividends by 16 per cent.

The management shake-up is aimed at providing a sharper focus on target, mainly export, markets.

Mr Colin Webster has been appointed managing director of the UK operation, Mr Granville Camsey becomes technology group managing director and Mr Rod Jackson corporate services managing director. The two other units, international and finance, remain with Mr Graham Hadley and Mr Brian Birkenhead.

Executives below main board level have been given responsibility for targeting developments in different areas of the world as National Power attempts to fill the gap which will result from a declining share of the UK market. "Our main thrust is to make National Power a leading international power business," said Mr John Baker, chief executive.

In the year to March 28, National Power made pre-tax profits of £580m ($893m) (against £514m) on turnover of £4.3bn, down 8 per cent. Dividend per share is 10.6p (against 9.1p), covered 3.1 times by earnings of 32.9p (up from 28.6p).

Mr John Baker said dividend cover would be cut to "more normal levels" in future years but warned that increased domestic competition meant earnings growth prospects was less certain. He said that turnover this year was down.

Last year's profits increase was helped by a 4,000 reduction to 7,400 in staff numbers. This led to a 25 per cent productivity improvement. Mr Baker said the company expected to shed at least 1,000 jobs over the next two to three years.

Mr Baker said the company has been in discussions with several "serious players" about selling some of its power stations.

Mr Baker added that the company had considered swapping some of its stations with electricity companies overseas, though no deal was imminent.

The company has provided a further £118m against future costs. The main element is an increase of £150m in provisions for rationalising and restructuring the company.

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Ford incurs £353m loss in UK

By Kevin Done, Motor Industry Correspondent

FORD of Britain, the leading vehicle maker in the UK, suffered a pre-tax loss of £353m ($544m) last year, its second successive loss in its core Ford car and light commercial vehicle operations.

The Ford parent company in the US has been forced to pump in £330m in new equity to shore up the balance sheet of the UK subsidiary in the face of continuing heavy losses.

The UK operation was hit last year by a further decline in car sales, forced production cuts, and heavy marketing and restructuring costs as well as exchange rate losses of about £100m. The company remained in loss in the first quarter of this year and warned yesterday that it may not return to profit in 1993.

Mr Ian McAllister, Ford of Britain chairman since January 1 last year, has been forced to take a sharp cut in pay compared with his predecessor. He earned £94,129 last year according to the Ford of Britain annual report published yesterday. Mr Derek Barron, his predecessor earned £158,454 in 1991, £214,086 in 1990, £305,884 in 1989 and £333,357 in 1988. Ford of Britain's board has been streamlined and cut from 10 to six members.

The outlook for a return to profit in 1993 has deteriorated in the face of the steep decline in new vehicle demand in continental Europe in the first four months this year, Mr Bill Brooks, finance director said yesterday. About 41 per cent of vehicles from Ford's UK assembly plants were exported last year.

Ford of Britain expected to achieve a substantial financial improvement this year after two years of heavy losses, Mr Brooks said, but it was now uncertain whether it could break even in 1993.

The parent company's injection of £330m in new equity into Ford of Britain last year follows its provision of £390m of new capital in 1991 – £100m in new equity and £290m through the transfer, at an inflated price, of the ownership of Jaguar, the UK luxury carmaker, from Ford of Britain direct to the US parent.

Ford of Britain made losses of £935m in 1991 and £274m in 1990 however these were heavily influenced by losses from Jaguar.

Last year's pre-tax loss of £353m included a £68m restructuring charge for large-scale redundancies.

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INTERNATIONAL COMPANIES AND FINANCE

Thyssen swings DM515m into red at half-way stage

By Ariane Genillard in Bonn

THYSSEN, the German steel and engineering group, has made a pre-tax loss of DM515m ($317.3m) for the six months ended March, against a DM376m profit a year ago.

Turnover for the period was 9 per cent lower at DM16.44bn. The sharp fall reflects a 19 per cent sales drop in the group's core steel business. Production of crude steel last year fell by 22 per cent at Thyssen plants.

Other divisions were slightly less worse off. Sales of manufacturing and investment goods, produced by Thyssen Industrie, fell by 1 per cent. The results mostly reflect the downturn in the motor industry, the company said.

Thyssen Handelsunion, the trading and services arm, reported a 8 per cent sales drop. The company said its recycling business had suffered a setback.

Thyssen said prospects for the rest of the year were bleak, with most of Europe in recession.

"Positive growth signals come only from regions such as Latin America and Asia and, to a lesser extent, from the US," it said.

But a "perceptible improvement" for the second half of the year could come from the divisions making manufacturing and trade goods. The company said that EC moves to restructure the European steel industry could also provide room for improvement.

● First half profits at Preussag, the industrial group, fell 50 per cent, but this was still a satisfactory result considering market conditions, the steel and engineering group said, writes Christopher Parkes from Frankfurt.

Net earnings of DM115m, for the six months to the end of March, compared with DM229m, had been hit by the international steel crisis, it added. However, most other business sectors enjoyed a successful six months.

Meanwhile, "partial price increases" suggested some improvement was likely from the steel business in the second half, and the non-ferrous metals divisions expected more stability in the wake of sharp recent price falls.

The group, with interests ranging from energy, building technology and components, plant, rail rolling stock and shipbuilding, reported sales only marginally down at DM10.9bn.

SG Warburg recovers strongly in second term

By Robert Peston, Banking Editor

THERE was a sharp profits recovery in the second half of last year for SG Warburg, the UK merchant banking group which controls Mercury Asset Management, though for the year as a whole pre-tax profits were down 11 per cent at £148.2m ($229m).

Pre-tax profits in the second half of the year, which ended on March 31, were £97m compared with £51.2m in the first half. Sir David Scholey, the group's chairman, said: "At the half-way stage, it did not seem likely that we would be able to show a profit before tax for the year of £148.2m".

Lord Cairns, the group's chief executive, said most of the recovery came from the group's debt and equity trading activities, rather than its advisory businesses.

In the first half, before the UK withdrew from the European Exchange Rate Mechanism, markets had been quiet: "This resulted in a sharp fall in revenues in the investment bank and a particularly poor second quarter".

For the year as a whole, profits earned in continental Europe were flat. There was growth in the US contribution, from £4.5m to £12.5m. Lord Cairns said that the UK and the Far East were both "down a bit".

After tax and the deduction of minority interests' share of earnings, profits fell 17 per cent to £84.3m.

The group provided £16m to cover possible losses on loans to Isosceles, the financially troubled supermarket group. Of this, £8m was deducted from reported profits and the rest charged to the group's general provision, which was £20m in its balance sheet of March 31 1992. The general provision, after this write-off and after tax relief, is now £15m.

The board proposed a dividend for the year of 19p, a rise of 5.6 per cent. Earnings per share fell 21 per cent to 39.6p.

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Crédit Local blazes a sell-off trail

By Alice Rawsthorn in Paris

IT is no secret that the French banking industry has had a tough time over the past year or so, but at least one bank, Crédit Local de France, has managed to weather the storms.

At a time when other banks have suffered sharp falls in profits, or even fallen into loss, Crédit Local, a specialist in local authority loans, managed to increase net profits by 11 per cent to FFr1.19bn ($210m) in 1992. It has now received its reward by being named as the first candidate for the new centre-right French government's privatisation programme.

For the government the issue, involving the sale of a 30.5 per cent stake worth between FFr4bn and FFr5bn, will be an important test of the Paris stock market's appetite for privatisation stock.

But for Crédit Local itself, according to Mr Pierre Richard, chairman, the sale will mark the start of a new era of "maturity".

Crédit Local is a relatively new phenomenon. It traces its roots to 1987 when, following the reform of France's local authority finances, the old Caisse d'Equipement des Collectivités Locales was spun off into an independent entity and rechristened Crédit Local de France.

The new company started life with the state as its majority shareholder, through a direct 47.5 per cent stake and the 25 per cent belonging to Caisse des Dépôts, the public sector funding institution. But in 1991 Crédit Local went public as first participant in the socialist government's partial privatisation programme with the FFr2.4bn sale of a 25 per cent holding.

Crédit Local has since fared well both on the stock market and in its own activities. French local authority finances have been fraught with problems in recent years as a number of cities have counted the cost of their over-ambitious expansion in the late 1980s.

But Crédit Local, which financed much of that expansion, has flourished. Last year's increase in net profits was accompanied by a 10 per cent increase in net banking income to FFr2.8bn in 1992 from FFr2.6bn in 1991 and a 12 per cent rise in net assets to FFr320bn from FFr285bn.

The group has also also accelerated its international expansion by adding a 51 per cent interest in CLF Municipal Bank, a local authority loans specialist in London, and a new subsidiary in Madrid to its existing businesses in Brussels, Vienna and New York.

Mr Richard hopes to continue this international drive with the aim of increasing the proportion of credit activities outside France from 10 per cent this year to 15 per cent by 1995.

But neither this expansion plan, nor the forthcoming share sale, signals a significant switch in Crédit Local's own strategy. Mr Richard said yesterday that the bank plans to "carry on doing exactly the same job, but in greater depth".

GE takes control at Tungsram

By Nicholas Denton in Budapest

GENERAL Electric of the US has taken full control of the Tungsram lighting joint venture by buying out Magyar Hitel Bank, the main Hungarian minority shareholder.

GE has acquired Hitel Bank's 34.4 per cent stake in Tungsram to take its ownership to 99.6 per cent, but neither party would reveal the terms of the transaction.

The acquisition clears the way for GE to recapitalise the Tungsram venture and reduce the interest payments which have added to the Hungarian company's losses.

GE expects to make the infusion, of about Ft17bn ($193m), in June and for the results to show up in the company's earnings relatively quickly.

GE embarked on the recapitalisation after the venture had suffered Ft9bn in losses in 1992, its third year of losses in a row.

Magyar Hitel Bank, which is in financial difficulties, opposed the recapitalisation and insisted that GE take over its shareholding.

The infusion will take GE's investment in Hungary to more than $500m. The US company paid $150m for an initial 50 per cent stake in Tungsram in 1991.

Veba may seek listing in US

By Christopher Parkes in Frankfurt

VEBA, the German energy-based conglomerate, is on the verge of selling its US plastics business, Hüls America, shareholders were told yesterday.

The group is also seriously considering following the example of Daimler-Benz and seeking a listing on the New York Stock Exchange. However, there is "no hurry," Mr Ulrich Hartmann, Veba's new chairman told the annual meeting.

The proposed disposal of the plastics operations to an unnamed buyer follows similar rationalisation moves by other German chemicals and plastics manufacturers which have suffered heavily from the effects of recession and international over-capacity.

Veba's chemicals divisions recorded an unspecified loss in the first quarter of this year, in which group net earnings fell 13 per cent to DM201m ($123.16m) and pre-tax profits dropped 7.2 per cent to DM513m.

While group sales fell just 1.4 per cent to DM16.5bn, turnover on chemicals for the quarter were 7.6 per cent lower at DM2.49bn.

A 3.4 per cent increase in volume sales of electricity pushed turnover in this sector up to DM3.43bn and earnings also rose, the company said.

Oil sector profits fell mainly because of a "marked loss" from petrochemicals. Turnover was lower in trading, transport and services but earnings were unaffected.

Veba said its earnings per share would not show as a big a fluctuation as overall profit due to dilution effects of new shares.

The number of Veba shares will rise by 2.6m to 48.8m by the end of this year.

IRI tumbles to record deficit of L4,809bn

By Haig Simonian in Milan

IRI, Italy's biggest state holding company, has run up a loss of L4,809bn ($3.23bn) for 1992. It is believed to be the worst ever result in Italian corporate history.

The figure, which compares with a L343bn loss in 1991, stems from losses at the Ilva steel and Iritecna building and engineering units.

The results were also depressed by losses at Alitalia, the state airline, and at the Fincantieri shipbuilding group. IRI controls two of Italy's biggest banks and the Stet telecoms concern.

Last year Ilva lost more than L2,300bn and Iritecna is expected to report a loss of about L1,600bn. The group also blamed high interest charges: its debt now exceeds L73,000bn.

Restructuring plans have been prepared for both Ilva and Iritecna but these have still to be implemented. Ilva itself is forecasting a loss of about L1,700bn this year.

IRI also blamed the government's failure to pay L7,200bn in grants allocated in 1991 but not received due to legal changes.

Hammerson in £199m rights issue

By Vanessa Houlder, Property Correspondent

HAMMERSON, the UK's fifth largest property group, yesterday announced a £199m ($306.46m) rights issue to ease the pressure on its balance sheet.

The announcement was accompanied by the promise of "cultural change" within the company, following the appointment of new senior management last month.

Mr Ron Spinney, the new chief executive, said the company would carry out a comprehensive strategic review of the portfolio's balance, its geographic spread and management structure. There would be significant savings on administrative costs over the next 18 months, he said.

Mr Spinney said he believed the UK property market, which accounts for 41 per cent of the group's holdings, was beginning to come out of recession.

The rights issue, which came as no surprise to the stock market, caused the 'A' shares to rise by 4p to 344p and the ordinary to fall from 380p to 373p. The issue, involving a 14 per cent dilution of net asset values, was made on a 7-for-15 basis at a price of 285p for each ordinary share and 255p for each 'A' share.

The rights issue reduces the company's pro forma gearing to 69 per cent at the end of 1992 from 114 per cent. The sharp rise in gearing last year prompted Hammerson to revise financial covenants in respect of its borrowing facilities.

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Kolbenschmidt posts DM33.4m loss

By David Waller in Frankfurt

KOLBENSCHMIDT, the car components arm of the Metallgesellschaft industrial group, made a loss of DM33.4m ($20.46m) in the six months to the end of March.

This was more than double the loss of DM14.7m in the first half of 1991-92, but was a considerable improvement on the DM73.9m loss made in the six months to the end of September.

The company said conditions for suppliers to the motor industry had worsened in the period. At the parent company, sales dropped 11.4 per cent to DM311.1m over the six months.

But Kolbenschmidt said that if the results were measured against the second half of last year, a gradual change in the company's fortunes was noticeable, reflecting rationalisation measures designed to restore profitability.

Kolbenschmidt predicted that against a gloomy economic background, it would take until the next financial year for the rationalisation measures to have a substantial effect on profitability.

● Volkswagen, Europe's leading vehicle manufacturer, sold 1.08m cars worldwide in the first four months of the year, the company said yesterday, 11.7 per cent less than in the same period last year.

In Germany the number of vehicles sold fell 22.4 per cent to 358,200; in western Europe as a whole VW sold 747,000 cars, 19 per cent down.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 28.05.93: Pool purchase price £/MWh	Final Prices for Trading on 20.05.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	19.00	18.50	18.50
0100	18.54	18.50	18.50
0130	18.81	18.74	18.74
0200	18.84	38.00	38.01
0230	18.81	38.00	38.94
0300	18.81	38.00	38.96
0330	18.48	24.48	27.02
0400	18.48	18.88	18.58
0430	18.44	18.85	18.55
0500	18.11	18.55	18.55
0530	18.88	18.48	18.48
0600	18.54	18.48	18.48
0630	18.91	18.70	18.70
0700	24.08	24.14	24.65
0730	24.63	26.29	28.85
0800	26.18	29.33	32.00
0830	28.88	30.27	32.86
0900	34.02	30.94	33.07
0930	34.02	26.48	29.04
1000	29.88	26.48	29.02
1030	29.85	29.38	32.02
1100	29.88	29.36	32.01
1130	29.88	28.46	29.01
1200	29.85	30.28	32.97
1230	29.85	30.23	32.92
1300	27.86	29.39	31.89
1330	26.22	26.86	29.12
1400	25.77	28.89	29.10
1430	25.50	28.82	29.10
1500	25.53	26.88	29.10
1530	24.82	28.82	29.10
1600	24.82	24.89	27.30
1630	31.50	30.81	33.41
1700	34.00	35.00	37.72
1730	34.00	35.00	37.71
1800	34.00	35.00	37.78
1830	24.89	24.89	27.33
1900	24.89	24.89	27.34
1930	24.89	24.89	27.35
2000	24.69	24.89	27.33
2030	19.07	24.18	26.60
2100	19.07	30.50	33.13
2130	24.89	35.00	37.74
2200	34.00	35.00	37.79
2230	34.00	24.89	27.14
2300	24.51	24.14	26.59
2330	24.29	24.18	26.64
2400	23.92	23.69	25.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between 8.30am and 5.30pm Monday to Friday.

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Morgan Stanley unveils sharp rise for quarter

By Patrick Harverson

SHARES in Morgan Stanley rose yesterday after the big Wall Street securities house reported a sharp improvement in first-quarter profits, to $195.8m. At the same stage last year, the company earned $139.1m.

The impressive performance was driven by strong contributions from all of Morgan Stanley's main operations, which have thrived during the two-year boom in Wall Street's securities underwriting, broking and trading businesses.

Investment banking revenues were particularly buoyant, rising 40 per cent in the quarter, to $378.8m, after strong growth in high-yield and structured-debt underwriting volume and the equity new issues calendar. In the past year, Morgan Stanley ranked as Wall Street's third-biggest underwriter of stock and fourth-biggest underwriter of bonds.

Propriety trading revenues rose 27 per cent to $369.8m. The company said big increases in fixed-income and currency trading offset a decline in revenues from trading Japanese equity derivatives.

Elsewhere, commission revenues rose 20 per cent to $91.5m, and asset management revenues climbed 11 per cent to $52.8m. Morgan Stanley's costs rose sharply in the quarter, primarily because of higher performance-related compensation payments. Total non-interest expenses rose 26 per cent to $732.5m.

Its earnings would have looked even better but for a $29m pre-tax charge to cover the pending sale of Sweetheart Holdings, the disposable food service products manufacturer which Morgan Stanley's leveraged equity fund acquired in 1990.

After the acquisition, the company was forced to make a $225m bridge loan to Sweetheart because a planned issue of high-yield debt was dropped.

The strong earnings, and news of the Sweetheart disposal, lifted Morgan Stanley's shares $2⅛ higher to $65¾ on the New York Stock Exchange.

Former Lehman chairman returns

By Patrick Harverson in New York

WALL Street investment bank Lehman Brothers announced yesterday that Mr Howard Clark Jr, its former chairman, would return to the company as vice-chairman. He will be given special responsibility for handling and developing corporate client relationships worldwide.

Mr Clark, 49, ran Shearson Lehman Brothers between 1990 and 1993, but was ousted in February when Mr James Robinson, head of the firm's parent, American Express, replaced him as chairman.

Soon after, however, Mr Robinson was forced out at American Express, and the firm's Shearson retail brokerage and asset management operation was sold to Primerica for more than $1bn.

Mr Clark's appointment came as something of a surprise to industry observers, who had expected the former Shearson head to join one of the several big Wall Street investment banking firms which had approached him after his departure from Shearson in March.

Although Mr Clark was an experienced investment banker, Shearson struggled during his tenure as chairman, making meagre profits or large losses at a time when the securities industry was recovering from the lean years of the late 1980s.

In 1990, the firm reported a near-$1bn loss, the largest in Wall Street's history.

Many of the problems that afflicted the firm, however, stemmed from mistakes made by management during the 1980s, when Mr Clark was working at Shearson's parent, American Express.

Mr Clark's appointment is the latest in a series of managerial manoeuvres at Lehman. Two months ago the policy of running Lehman with two co-presidents was ditched when American Express's chairman, Mr Harvey Golub, appointed Mr Richard Fuld as sole president.

Chevron reshapes businesses

By Martin Dickson in New York

CHEVRON, the California-based oil company, yesterday announced a substantial reshaping of its US downstream oil business. It will involve the sale of two refineries and service stations in several states east of the Rocky Mountains.

It will take a $550m after-tax charge against second-quarter earnings to cover losses on the sale of fixed assets and inventories, and provisions for environmental site assessment and redundancies.

The company said its new refining and marketing organisation would concentrate on resources in the west, south-west and south.

Mr Dave Hoyer, president of its US products business, said increasing regulation, mandated capital spending and rising taxes imposed "enormous added risks and burdens" on a refining and marketing business as large as Chevron's.

The company also saw slow growth in future demand. Capital investment demands were escalating dramatically because of requirements of the Clean Air Act.

The plan involves selling Chevron's refineries at Philadelphia, Pennsylvania, and Port Arthur, Texas.

It explained it no longer marketed fuel products in the north-east, where Philadelphia is situated, while Port Arthur represented more refining capacity than it needed in the Gulf Coast market.

The company will also concentrate on investing in its service stations east of the Rockies: in six Gulf Coast states, where it has competitive strengths; Florida; Georgia; Alabama; Mississippi; Louisiana and Texas.

It will sell service stations to Chevron-branded wholesalers in other states east of the Rockies, including North and South Carolina, Virginia, Maryland and Ohio.

Market cool on Time Warner deal

By Martin Dickson

SHARES in Time Warner, the US media group, fell yesterday morning despite an announcement late on Wednesday that Seagram, the Canadian drinks group, had spent some $700m to acquire a 5.7 per cent stake in the company "solely for purposes of investment".

Seagram, in filings with US regulators, sought approval to buy up to 15 per cent of Time Warner's outstanding shares.

The news came after the New York Stock Exchange closed on Wednesday, and had been widely expected to boost Time Warner's price, which fell instead on profit-making. At lunchtime, it was quoted at $37, down $1.

Some analysts tracking the mysterious buying of Time Warner stock said the identification of Seagram as the purchaser was anti-climactic, since it seemed an unlikely bidder for the company.

The 21.12m shares so far acquired were bought in a series of open-market purchases from February 2.

Mr Edgar Bronfman, Seagram chairman, said he believed media and entertainment was one of the great growth sectors for the 1990s. Time Warner was the company best positioned to benefit from growth in the field, he said.

Fresh sources to fund recovery

The French government is breaking new ground with its latest bond, writes Sara Webb

IT has been dubbed the "Feel-Good Bond", the "Balladur Bond" and the "Recovery Bond" by government debt specialists.

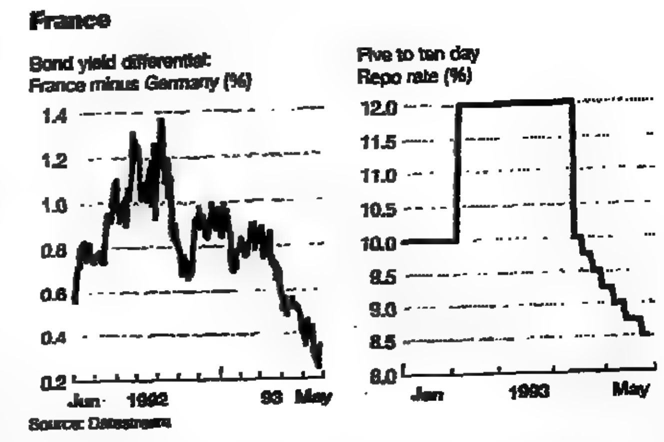
The new FFr40bn French government bond issue – announced earlier this week by Mr Edouard Balladur, the French prime minister – is specifically intended to finance Mr Balladur's economic recovery programme.

It has already attracted considerable interest among bond analysts: many are wondering what impact it will have on the French bond market, one of the European debt markets most closely watched by overseas investors.

The government will employ two innovative features to attract individual investors: convertibility into shares in forthcoming privatisations and the right to hold the bonds in tax-exempt savings plans.

Analysts point out the government is tapping a new source of money with this latest initiative. Private investors are expected to switch their savings out of money market funds, where a recent fall in interest rates has meant a decline in return.

In addition, traditional share investors may be wooed into buying the bonds, given they may convert them into new privatisation stocks.



"The government is trying to take advantage of the fact that interest rates are coming down. It will be standing there with a bucket to catch some of the FFr1,200bn currently held in the Sicav (money market funds) as the money comes out," says Ms Marie Owens Thomsen, international economist at Midland Global Markets.

Mr Steve Major, European bond analyst at Crédit Lyonnais, predicts that by targetting these investors, the new bond is unlikely to spark a sharp switch out of existing government debt. As a result, bond prices – notably in the four-year area where the new issue will be launched – should not weaken dramatically.

He says that while the new bond would have the same credit rating as existing French debt issues, it might even trade at a slight premium to current issues because of the conversion and tax advantages.

However, other bond experts say it is not clear yet whether the new issue will be particularly liquid. "If private investors decide to hold on to the bonds [until conversion], they would be very illiquid," says Mr George Magnus, of SG Warburg Securities. He says it is still unclear whether the French houses will be asked to make markets in the new issue.

The prospect of a further FFr40bn of new supply – on top of the government's forecast of total OAT (bond) and BTAN (note) issuance of FFr480bn for 1993 – has not upset the French bond market. As Ms Thomsen says: "The new bond is equivalent in size to one regular monthly bond auction."

Ten-year French government bond yields have fallen from 9.2 per cent last July to a low of 7.04 per cent in April, and the spread over comparable German bonds has narrowed dramatically. French interest rates have been cut steadily since the March general election but, like other members of the European exchange rate mechanism, France may now have to wait for the Bundesbank to cut rates.

Mr Magnus points out the Bank of France is unlikely to have scope to cut rates again unless there is a strong move in the franc.

"The market still has fresh memories of unilateral rate cuts [by the Bank of France] which were too fast and had to be reversed," he says.

Shangri-La Asia in HK$735m flotation

By Simon Davies in Hong Kong

SHANGRI-LA Asia, the Hong Kong and China hotel arm of Malaysian-born tycoon Robert Kuok's property and trading empire, is to be floated on the Hong Kong stock market. It is raising HK$735m (US$95.2m) through a public offer which values the hotel operations at HK$4.9bn.

This will be the first big hotel flotation in Hong Kong since 1989, and reflects the industry's recovery from the impact on tourism of the Tiananmen Square massacre and the Gulf war.

Shangri-La owns net tangible assets valued at HK$6.8bn. They include two luxury hotels in Hong Kong and six hotels in China, along with a portfolio of office and residential property. The Kuok's Shangri-La hotel management business will remain privately-owned.

Shangri-La is issuing 150m new shares, or 15 per cent of the company, at HK$4.90 per share. Profits are forecast to increase by 64 per cent in the current year, to HK$365m. This puts the shares on a fully-diluted price-earnings ratio of 13.4 times current-year earnings, which compares favourably with the other Hong Kong luxury hotel groups, Mandarin Oriental and Hong Kong and Shanghai Hotels.

The Kuok family will retain 59 per cent of the company after the flotation.

Toronto bank wary despite improvement

By Bernard Simon in Toronto

TORONTO Dominion Bank yesterday reported a 14 per cent rise in second-quarter earnings. However, it cautioned that performance continued to be impeded by high non-performing loans, loan-loss provisions and losses on investment securities.

Earnings totalled C$90m (US$70.8m), or 27 cents a share, in the quarter to April 30, up from C$79m, or 24 cents, a year earlier. Return on shareholders' equity rose to 7.5 per cent from 6.3 per cent, but return on assets slipped to 0.45 per cent from 0.47 per cent.

Total assets grew to C$82.6bn on April 30 from C$70.1bn, largely because of the acquisition this year of Central Guaranty, an ailing trust company.

Loan-loss provisions were C$150m, unchanged from the previous quarter. However, non-performing loans on April 30, at C$1.57bn, were C$134m lower, thanks to improvements in its US and European portfolios.

The bank, Canada's fifth largest, said the Central Guaranty acquisition "continued to contribute positively" to earnings.

● Montreal-based National Bank of Canada's second-quarter earnings rose to C$40.1m, or 23 cents, from C$29.8m, or 16 cents, a year earlier.

The latest figure includes a C$23m gain from the sale of leasing operations.

SOCIETE GENERALE
FRF 500,000,000
9,25% BONDS DUE 1999 with coupon reinvestment option
Common Code: 3133591
Sicovam Code: 14474
According to the Terms and Conditions of the Bonds, notice is hereby given that 492 supplementary Bonds have been created upon exchange against Coupons on account of payment of interest.
New total nominal amount outstanding as of: 31/05/93:
FRF 593 700 000
THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

C.P. International Investments Limited
(formerly Consolidated Press (Finance) Limited)
U.S. $92,000,000
Subordinated Floating Rate Notes due 1993 (the "Notes")
Guaranteed on a subordinated basis by
Consolidated Press Holdings Limited
Notice is hereby given that for the six months Interest Period commencing 28th May, 1993 to 30th November, 1993 the Notes will bear a Rate of Interest of 4.1875% per annum.
The Interest Amount payable on 30th November, 1993 will amount to U.S. $21,638.42 per U.S. $1,000,000 Note.
The Mitsubishi Bank, Limited
London Branch
Agent Bank

U.S. $50,000,000
CRÉDIT D'ÉQUIPEMENT
DES PETITES ET MOYENNES ENTREPRISES
Undated Subordinated Step-Up Floating Rate Notes
For the Interest Period from May 28, 1993 to November 30, 1993 the rate has been determined at 4.6875% per annum. The amount payable on November 30, 1993 per U.S. $10,000 principal amount of Notes will be U.S. $242.19.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
CHASE
May 28, 1993

Den norske Bank
Primary Capital Perpetual
Floating Rate Notes
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from May 28, 1993 to August 31, 1993 the Notes will carry an Interest Rate of 3.5625% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$94.01.
May 28, 1993 London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

Bank of Tokyo (Curaçao) Holding N.V.
U.S. $100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997
Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by
The Bank of Tokyo, Ltd.
(Kabushiki Kaisha Tokyo Ginko)
In accordance with the provisions of the Agent Bank Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo Ltd., and Citibank, N.A., dated November 27, 1985 notice is hereby given that the Rate of Interest has been fixed at 3.5125% p.a. and that the interest payable on the relevant Interest Payment Date, August 31, 1993 against Coupon No. 31 will be US$92.69.
May 28, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank.
CITIBANK

U.S. $400,000,000
Banque Française
Du Commerce Exterieur
Guaranteed Floating Rate Notes due 1997
For the three months May 28, 1993 to August 31, 1993, the Notes will bear interest at 3.5625% per annum. U.S. $94.01 will be payable on August 31, 1993, per U.S. $10,000 principal amount of Notes.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank
May 28, 1993
CHASE

U.S.$300,000,000
The Tokai Bank, Limited
Subordinated Floating Rate Notes Due 2000

Interest Rate	3.8125%
Interest Period	28th May 1993 31st August 1993
Interest Amount due 31st August 1993 per U.S.$ 10,000 Note U.S.$ 100,000 Note	U.S.$ 96.32 U.S.$ 963.20

Credit Suisse First Boston Limited
Agent

YOKOHAMA ASIA LIMITED
(Incorporated in Hong Kong)
U.S.$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997
Unconditionally and irrevocably guaranteed by
THE BANK OF YOKOHAMA, LTD.
(Incorporated in Japan)
Notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 3.5625% per annum and that the interest payable on the relevant Interest Payment Date August 31, 1993 against Coupon No. 32 in respect of US$10,000 nominal of the Notes will be US$94.01 and in respect of US$250,000 nominal of the notes will be US$2,350.26.
May 28, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

ECU 200,000,000
Caisse Française de Développement
formerly
Caisse Centrale de Coopération Economique
Floating Rate Notes due 2006
For the period from May 28, 1993 to August 31, 1993, the Notes will carry an interest rate of 7.484375% per annum with an interest amount of ECU 197.60 per ECU 10,000 and of ECU 1,976.04 per ECU 100,000 Note.
The relevant interest payment date will be August 31, 1993.
Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

BANQUE NATIONALE DE PARIS
ECU 100,000,000
Floating Rate Notes due 1996
Notice is hereby given that the rate of interest for the period from May 28th, 1993 to August 31st, 1993 has been fixed at 7.5625 per cent per annum. The coupon amount due for this period is ECU 199.57 per ECU 10,000 denomination and is payable on the interest payment date August 31st, 1993.
The Fiscal Agent
Banque Nationale de Paris
(Luxembourg) S.A.

The Chase Manhattan Corporation
U.S. $175,000,000
Floating Rate Subordinated Notes due 1997
Notice is hereby given that the Rate of Interest has been fixed at 3.5625% and that the interest payable on the relevant Interest Payment Date August 31, 1993 against Coupon No. 31 in respect of US$10,000 nominal of the Notes will be US$94.01.
May 28, 1993, London
By: Citibank, N.A. (Issuer Services), Agent Bank
CITIBANK

U.S. $500,000,000
Lloyds Bank Plc
(Incorporated in England with limited liability)
Primary Capital Undated Floating Rate Notes (Series 3)
For the three months May 28, 1993 to August 31, 1993 the Notes will carry an interest rate of 3.5% p.a. with a Coupon Amount of U.S. $82.36 payable on August 31, 1993.
By: The Chase Manhattan Bank, N.A.
London, Agent Bank

STATE BANK OF SOUTH AUSTRALIA
Yen 1,000,000,000
Guaranteed Floating Rate Notes due 1994
unconditionally guaranteed by The Treasurer of the State of South Australia

Interest Period	28th May, 1993 to 29th November, 1993
Interest Rate	5⅛% per annum
Interest Amount due 29th November, 1993 per Yen 100,000,000 Note	Yen 2,838,356

The Nippon Credit Bank, Ltd., Tokyo
Agent Bank
28th May, 1993

NOTICE OF REDEMPTION

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Indenture, dated as of June 24, 1982 (the "Indenture"), among Continental Illinois Overseas Finance Corporation N.V. (the "Company"), Continental Bank Corporation, as successor to Continental Illinois Corporation, as Guarantor, and Bankers Trust Company, as Trustee, that the Company has at its option elected to redeem all outstanding Guaranteed Floating Rate Subordinated Notes due 1994 (the "Notes") on June 30, 1993 (the "Redemption Date") at 100% of the principal amount thereof plus interest accrued thereon to the Redemption Date (the "Redemption Price") in accordance with Article Three of the Indenture and subject to the conditions and limitations specified in the Notes. All conditions precedent to such redemption have occurred and subject to the receipt of the required funds, the Notes shall become due and payable on the Redemption Date and at the places stated below at the Redemption Price. On and after the Redemption Date, interest on the Notes shall cease to accrue and the coupons for such interest maturing after said date shall be void. On presentation and surrender of such Notes at a place of payment specified below, with all unmatured coupons thereto appertaining, the said Notes shall be paid and redeemed by the Company at the Redemption Price.

Payment will be made at any of the following paying agencies listed below:

Continental Bank
520 Madison Ave.
3rd Floor
New York, New York 10022
(In-Person Only)

Continental Bank
231 S. LaSalle St.
19th Floor
Attn: Corporate Trust Operations
Chicago, Illinois 60697
1-800-823-3833

Continental Bank
Continental Bank House
162 Queen Victoria St.
London EC4V 4BS, England

Banque Générale du Luxembourg S.A.
14 Rue Aldringen
Luxembourg

Payment pursuant to the presentation of the Notes for redemption made by transfer to a United States dollar amount maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding of up to thirty-one percent (31%) of the gross proceeds (including premium, if applicable) if a payee fails to provide a paying agent with an executed IRS Form W-8 in the case of a non U.S. person or an executed IRS Form W-9 in the case of a U.S. person. Those holders who are required to provide their accurate Taxpayer Identification Number and who fail to do so may also be subject to an IRS penalty of U.S. $50. Accordingly, please provide all appropriate certification when presenting the Notes for payment.

By: Continental Illinois Overseas Finance Corporation N.V.

Dated: May 28, 1993

U.S. $50,000,000
RZB
AUSTRIA
Raiffeisen Zentralbank
Österreich Aktiengesellschaft
Floating Rate
Subordinated Notes Due 1996

Interest Rate	5¼% per annum
Interest Period	28th May 1993 30th November 1993
Interest Amount per U.S. $5,000 Note due 30th November 1993	U.S. $135.63

Credit Suisse First Boston Limited
Agent

Market Myths and Duff Forecasts for 1993
The US dollar will move higher; precious metals have been demonetised; Japanese equities are not in a new bull trend. We did NOT read that in FullerMoney – the iconoclastic investment letter.
Call Jane Farquharson for a sample issue (once only)
Tel: London 71 - 439 4961 (071 in UK) or Fax: 71 - 439 4966

NOTICE OF MEETING OF THE HOLDERS OF
UNIGESCO INC.
7½% Convertible Debentures due June 16, 1997

NOTICE IS HEREBY GIVEN that a meeting (the "Meeting") of the holders (the "Debentureholders") of issued and outstanding 7½% Convertible Debentures due June 16, 1997 (the "Debentures") of Unigesco Inc. (the "Company") issued pursuant to a Trust Indenture between the Company and General Trust of Canada (the "Trustee") dated as of June 16, 1987 (the "Trust Indenture") will be held in the Conference Center, 1250 René-Lévesque Blvd. West, Montreal, Quebec, on Tuesday, June 15, 1993 at the hour of ten o'clock in the forenoon (Montreal time), for the following purposes:

1. to consider and, if thought fit, to pass, with or without variation, an Extraordinary Resolution (the full text of which is set out in Schedule A to the Information Circular which may be examined during ordinary business hours at the head office of the Trustee, at the office of the Principal Paying Agent or at the offices of any of the Paying Agents referred to below (the "Information Circular")) providing, inter alia, for the approval of modifications to the Trust Indenture as follows:
   (a) that the Debentures shall mature on a new maturity date (the "New Maturity Date") being the earlier of October 29, 1993 or 15 days following the consummation of a refinancing in the United States in form and substance substantially as outlined in the Information Circular and that, on the New Maturity Date, payment on account of principal shall be made in an amount equal to 118.75% of the principal amount of the Debentures;
   (b) that, from June 16, 1993 to the New Maturity Date, interest on the Debentures shall be calculated at the rate currently provided on the Debentures and accrue on an amount equal to 118.75% of the principal amount thereof and that such interest shall be paid on the New Maturity Date; and
   (c) that the covenant contained in Section 5.11 of the Trust Indenture shall be deleted;
2. to transact such other business as may properly come before the meeting and any adjournment or adjournments thereof.

Pursuant to the provisions of the Trust Indenture, the Trustee has made regulations for the purpose of enabling the Debentureholders to be present and vote at the meeting and at any adjournment thereof without producing their Debentures and of enabling them to be represented and vote at such meeting by proxy and of lodging such proxies at some place other than the place where the meeting is to be held.

Copies of the regulations made under the Trust Indenture, the certificates of deposit, deposit receipts and proxies may be obtained by Debentureholders upon application to the Trustee, General Trust of Canada, at its head office, 1100 University, Corporate Trust Department, 8th Floor, Montreal, Province of Quebec, H3B 2G7 or to the Principal Paying Agent, Banque Paribas Luxembourg, 10A Boulevard Royal, Luxembourg-Ville, Luxembourg or to any of the following Paying Agents: Kredietbank N.V., Arenbergstraat 7, B-1000 Brussels, Kredietbank N.V., 40 Basinghall Street, London EC2V 5DE, Banque Paribas, 3 rue d'Antin, 75002 Paris, Swiss Bank Corporation, Aeschenvorstadt 1, CH-4002 Basle, or National Bank of Canada, 600 de la Gauchetière Street West, Suite 400 (Att: the Secretary), Montreal, Quebec, H3B 4L2.

Copies of the Trust Indenture, Extraordinary Resolution and the Information Circular may be examined during ordinary business hours at the head office of the Trustee, at the office of the Principal Paying Agent or at the offices of any of the Paying Agents referred to above.

This Notice of Meeting is being given by the Trustee, General Trust of Canada, at the request of Unigesco Inc. The publication of the Notice has been arranged by the Principal Paying Agent.

DATED at Montreal, Quebec, this 21st day of May, 1993.

GENERAL TRUST OF CANADA, Trustee

Notice
Extended Term Debentureholders
K Mart (Australia) Finance Limited
Extended Term Debentures due 2002
As required by the terms of Arana Hills Properties Stock Trust Deed Section 2.07 please be advised that:
1. There has been no change in the number of properties under lease from Arana Hills Properties Pty Limited (Lessor) to Coles KMA Limited (Lessee).
2. There have been no material changes to the said Properties or the Lease Agreements.
The Stock Trustee in its sole judgment is of the opinion that no other information with respect to the properties and the Lease Agreement is useful to holders of the Extended Term Debentures at this time.
Coutts & Co (Cayman) Limited
Stock Trustee of the
Arana Hill Properties Stock Trust

هكذا من الأصل

Japan's banks count the cost of bad loans

Robert Thomson examines the earnings data which understate the scale of the burden

WHEN Japan's 11 leading commercial banks yesterday announced their combined non-performing loans totalled Y8,435bn ($78bn), they gave an indication of the problems confronting them, but collectively understated the scale of the bad loan burden.

In encouraging the banks to itemise their bad loans, the finance ministry hopes to inspire public confidence in the banking system, but the very narrow definition of what constitutes such a loan itself inspires concern about how deep the cracks run.

The figure does not include "restructured" loans, those on which interest rates have been reduced to almost zero with the aim of supporting an ailing company. Nor does the figure include the mounting pile of bad loans at affiliates for which the parent bank will be ultimately responsible.

But the announcements, and the average 70 per cent increase in loan loss reserves do reflect the confidence of the banking industry that property prices will rise again, and the burden will be alleviated without the drama of red ink on the profit statement.

The banks wrote off a total of Y172.8bn, an increase of 478 per cent on a year earlier, and announced losses of Y153.8bn on sales to the Co-operative Credit Purchasing Company, the banks' self-help loan buying organisation set up in January 1993. The figures are impressive when compared to the past modest write-offs, but not in comparison to the non-performing loan total, estimated to be somewhere between Y20,000bn and Y30,000bn.

The earnings announcements yesterday, if nothing else, indicated the willingness of Japanese financial authorities to give banks the necessary time to nurse their problem loans, although a restrictive definition of bad loans by the National Tax Agency provides no incentive for them to write them off.

There are calls for change. Mr Yasushi Mieno, the Bank of Japan governor, recently urged institutions to "escape from the conventional management stance of doing the same as its competitors". However, by not taking a larger hit yesterday, the banks showed they are still moving in convoy.

The industry wants to keep in step, believing that if one bank announced a loss or if the distinction between the strong and weak became too obvious, public confidence in the more vulnerable institutions would be undermined. As one bank said yesterday: "This is not the US and we are definitely not going to report losses."

Banks were able to increase loan loss provisions because of higher business profits, but the favourable spreads created by the fall in interest rates during the year are evaporating and the banks will have to work harder to increase profits this year.

There is also the possibility of another fall in stock prices, which would create appraisal losses on their securities holdings.

Ms Alicia Ogawa, an analyst at US investment bank Salomon Brothers in Tokyo, said loan margins were beginning to narrow, but the banks still had capacity to absorb loan losses. She also suggested the improvement in capital adequacy ratios over the year should enable them to increase lending, if demand from corporate Japan recovers.

Sumitomo Bank, which took the largest hit during the year because of links to Itoman, the dissolved trading house, said its fresh loan loss reserves are a "forward thinking voluntary transfer". It wrote off Y104.3bn and made provisions of Y97.8bn.

Sumitomo explained the liberalisation of interest rates, stagnation of the domestic economy, and a delayed recovery in property prices would affect earnings this year, though it still forecast a doubling of pre-tax profit and a tripling of net profit.

The 11 banks generally profited from their dealings in the bond market, which produced an Y18.6bn profit for Sumitomo, an increase of almost 60 per cent on the previous year. Fuji Bank was second on the bond earnings ladder with Y17.7bn, while Sanwa Bank earned Y17.4bn.

While the banks were unruffled yesterday in delivering the earnings reports, a sign of official concern at the health of the banking system came earlier this week with the announcement of the liquidations of a financially-troubled credit association, Kamaishi Shinkin Bank, caught out by recession and loose lending.

The government was apparently unable to find one institution willing to take over all of Kamaishi's assets, so it will be divided up among several banks in northern Japan.

And, for the first time in Japan, funds from the Deposit Insurance Corporation, which insures individual deposits for up to Y10m, will be used in a liquidation.

JAPANESE COMMERCIAL BANKS' EARNINGS for year to March 1993

	Operating profit Ybn	Operating profit % change	Net profit Ybn	Net profit % change	BIS ratio %
DKB	237.3	9.6	53.0	-26.4	9.26
Sakura	271.3	40.4	46.3	-49.6	8.96
Sumitomo	341.5	14.0	14.0	-87.2	9.37
Fuji	313.4	40.7	31.0	2.7	9.26
Mitsubishi	336.4	58.4	47.0	-44.2	9.12
Sanwa	370.2	36.0	67.2	-34.3	9.43
Tokai	188.5	96.1	20.8	7.9	8.97
Asahi	148.3	10.8	21.0	-44.7	9.22
Daiwa	71.8	8.0	16.8	-47.6	9.37
Hokk. Taku	38.8	11.2	7.8	-50.2	9.09
Tokyo	202.6	15.2	43.1	-19.3	9.61

Minolta to omit payout as profits plunge 38%

By Wayne Aponte in Tokyo

MINOLTA Camera, a leading Japanese precision instrument maker, saw pre-tax profit decline by about 38 per cent to Y13.6bn ($125m) for the fiscal year ended March. It blamed patent dispute payments with US-based Honeywell, weak domestic demand and appraisal losses on inventories.

Net profits plunged by about 76 per cent to Y6bn last year on sales of Y196.3bn, down 8.9 per cent. Minolta will pass bonus payments to board directors and annual dividend payments to shareholders. It estimates pre-tax profits at Y2.5bn on maintained sales for the current year.

● Kubota, the farm equipment group, unveiled a pre-tax profits decline of 5.4 per cent to Y30bn last year, a second consecutive drop, due to the economic downturn and global currency changes.

Net profits fell by 13.1 per cent to Y16bn, while sales rose 2.7 per cent to Y748.5bn. The company set aside Y2.4bn in loss reserves for overseas investment in an effort to hedge against rapid foreign exchange rate fluctuations. Kubota expects similar pre-tax and net profits for the current year on sales of Y760bn.

Hitachi and Toshiba suffer steep falls in earnings for year

By Michiyo Nakamoto in Tokyo

TWO of Japan's large, comprehensive electronics groups yesterday reported steep falls in profits for the year to end-March as they faced persistent weakness in the domestic market, falling prices and a higher yen.

Hitachi and Toshiba both revealed a sharp deterioration in their business performance for the third year running as Japanese corporate and consumer spending remained sluggish throughout the year.

Hitachi unveiled a 40 per cent fall in parent pre-tax profits to Y78.1bn ($719m) from a previous Y130.8bn as it was hit by fierce price competition in the computer market and depressed demand for its consumer electronic products.

Non-consolidated sales fell 3 per cent to Y3,811bn while consolidated sales also dropped 3 per cent to Y7,536bn. Group pre-tax profits slid 37 per cent to Y234.7bn.

Hitachi, one of Japan's leading mainframe computer manufacturers, was also affected by the downturn in mainframe demand, particularly in overseas markets.

Consumer products suffered from a lack of demand, particularly for audio-visual products and air conditioners, and sales fell 20 per cent.

On the bright side, the fall in Hitachi's electronics operations was countered by strength in its power systems division, which reported an 18 per cent rise on the back of strong demand from electric power companies.

Toshiba suffered a 22 fall in non-consolidated pre-tax profits to Y54.8bn. Firm demand from overseas for information and communications equipment and electronic devices was offset by a depressed Japanese market.

In the personal computer market, Toshiba reported strong demand from overseas and PC exports rose 15 per cent. However, this was offset by a 15 per cent fall on the domestic market which went through a period of turmoil following the launch of low-priced PCs by US groups.

Consumer products fell 13 per cent largely as a result of a 35 per cent drop in sales of air conditioners which were affected by Japan's cool summer.

Buoyant demand was seen in heavy electricals where sales increased 11 per cent, largely on demand from electric power companies and from a railway company.

Toshiba was optimistic about the outlook for the current year. The expected gradual recovery of the Japanese economy this year, helped by the government's economic stimulus package, and the growth in PC and semiconductor demand, supported its forecast of a 5 per cent increase in parent sales to Y3,300bn.

It expects flat pre-tax profits but a 26 per cent rise in net profits to Y32bn.

State Bank of New South Wales slips into the red

By Bruce Jacques in Sydney

STATE Bank of New South Wales, the Australian public sector regional bank, has fallen into the red in the first half to the end of March after big increases in both doubtful debt write-offs and abnormal losses.

After abnormals, the bank turned a A$10.6m profit into an A$89.6m (US$62.4m) loss. This reflected a A$95.9m abnormal loss mainly resulting from changed tax treatment.

Before abnormals and tax, the bank turned an A$15.5m profit into a A$20.3m loss following a 46 per cent rise in doubtful debt charges to A$109.6m. A tax credit of A$26.6m put the bank A$6.3m in the black before abnormals.

Net non-accrual loans eased from A$779.2m to A$705.2m.

On Wednesday, the bank, which is preparing for privatisation, resolved its exposure to FM Australia, the troubled entertainment group, through a sale to Village Roadshow.

The sale, for about A$93m, requires approval from the Foreign Investment Review Board, because Village Roadshow is owned 17.5 per cent by Anglo Television of the UK.

● Lend Lease Corporation, the Australian financial services group, has announced plans to raise between US$175m and US$200m through an issue of convertible bonds as part of the finance for its acquisition of a 15 per cent interest in Westpac, the Australian bank.

Japanese airlines sharply lower

By Michiyo Nakamoto in Tokyo

THE TIGHTENING of Japanese corporate purse strings dealt a heavy blow to the country's airlines.

Japan Airlines (Jal), the national flag carrier, fell into the red and All Nippon Airways (ANA), the second largest airline in Japan, reported sharply lower profits in the year to the end of March.

As expected, Jal suffered a Y53.8bn ($495m) pre-tax loss and passed its dividend. Sales were down 7 per cent to Y1,033bn.

The carrier, which was privatised in 1987, blamed the downturn in corporate and consumer spending and excessive price competition on international routes for its disappointing results and warned that recovery would be slow.

The economic slowdown in Japan affected international flights both for passengers and cargo with demand for first and business class particularly hit. Business class travel was down 16 per cent while first class travel fell 18 per cent during the period.

Jal has implemented a wide-ranging restructuring programme which aims to cut costs substantially over the next few years. Hiring of cabin staff this year has been postponed while employee benefits are under review.

It has also closed some unprofitable routes. Jal is aiming to reduce its dependence on international routes, on which it relies for more than 50 per cent of its revenues, and work towards building at least a 30 per cent share of the domestic market.

Pre-tax profits at ANA, meanwhile, fell by 34 per cent to Y13.3bn hit by the fall in business and first class travel and high costs due to an expansion programme.

The fall in ANA's profits came despite a 1.2 per cent increase in operating revenues to Y808.4bn. Passengers carried on international routes rose 7 per cent.

In the current year, Jal aims to raise turnover to Y1,064bn and break even at the pre-tax level. It is forecasting net profits of Y4bn.

ANA forecasts parent operating revenues will rise 1.7 per cent to Y822bn and net profits will increase 7 per cent to Y2.6bn.

Losses deepen at NZ group

By Terry Hall in Wellington

RJI, the New Zealand property group formerly known as Robt Jones Investments, yesterday revealed deepening net losses of NZ$297.7m (US$162.9m) for the 12 months to March 31, compared with NZ$132.9m the year before. It also announced said it was changing its name to Tasman Properties.

The company said it had written down its property by NZ$301.6m.

Mr John McCarthy, the new chief executive, said the company had reduced its debt by NZ$34m to NZ$57m during the year.

Weak domestic demand hits Mitsubishi Materials

By Wayne Aponte

MITSUBISHI Materials, a leading Japanese metal and ceramics company, suffered a 51.7 per cent decline in pre-tax profits to Y9.8bn ($90m) last year because of waning domestic demand for fabricated metal products and appreciation of the yen against the dollar.

Net profits plunged by about 90 per cent to Y3bn on sales of Y743.2bn, down 5.6 per cent.

The company's earnings were hit last year by lower prices of some metals in spite of efforts to cut costs and restructure operations.

Its shares, which trade on the first section of the Tokyo stock exchange, retreated Y17 to Y511 yesterday.

The company predicts pre-tax profits of Y8bn for the current financial year ending March 1994 on sales of Y730bn.

Increased hopes of rate cuts boost bunds

By Jane Fuller in London and Patrick Harverson in New York

A MORE resilient D-Mark and increased hopes of interest rate cuts lay behind a strong advance in the German government bond market.

Although recent Bundesbank signals had damped hopes of cuts in key rates at next Thursday's council meeting, reductions of up to ¼ point in the Netherlands, Belgium and Austria were regarded as improving prospects of German cuts.

Worries about the German economy pointed in the same direction. A leak of GDP figures, due to be released on the morning the Bundesbank council meets, showed a 1 per cent fall quarter on quarter and a 3 per cent slide year on year.

The June futures contract climbed to 94.47 from a low of 94.08.

The Dutch rate cuts led to further widening of the 10-year yield spread below German bunds to 17 basis points.

■ RAMPANT talk of interest rate cuts in Spain, which faces a general election on June 6, led to a rally in the government bond market.

The peseta at one point fell through its central level in the ERM but managed some recovery to stave off that the currency might leave the ERM. The rally drove down the yield on 10-year stock to less than 11 per cent.

■ THE UK government bond market largely shrugged off the replacement of Mr Norman Lamont as chancellor, although it did register small losses after a bright opening in the wake of Wednesday's successful gilt auction.

While the pound was weakened by talk of a cut in interest rates by the incoming chancellor Mr Kenneth Clarke, gilts ended little changed. Economists expressed scepticism about an imminent cut in rates, although some already had one pencilled in for later in the summer.

■ US Treasuries fell across the board yesterday as investors and dealers digested the big gains earned midweek at the long end of the market.

By midday, the benchmark 30-year government bond was down $\frac{1}{8}$ at $102\frac{21}{32}$, yielding 6.929 per cent. At the short end of the market, the two-year note was slightly weaker, down $\frac{1}{32}$ at $99\frac{31}{32}$, to yield 4.158 per cent.

The day's only economic data, a flat weekly jobless claims report, had no effect on market sentiment. Instead, the morning was spent distributing the new short-term paper issued on Wednesday and digesting the gains in longer-dated securities earned in the previous two trading days.

■ THE yen's record high against the dollar gave the Japanese government bond market a flying start in Tokyo, which was later undone by profit-taking.

This ended a sharp two-day rally which had reduced the yield on the cash benchmark No 145 due 2002 from 4.70 per cent to 4.52 per cent at one stage yesterday. The close in Tokyo was 4.575 per cent.

In London trading, intervention by the Federal Reserve to support the dollar provided a setback for the JGB market, but it recovered later.

The Liffe futures contract opened at 107.02 and closed 5 basis points higher after hitting a low of 106.78.

GOVERNMENT BONDS

FT FIXED INTEREST INDICES

	May 27	May 26	May 25	May 24	May 21	Year ago	High *	Low *
Govt Secs (UK)	95.08	94.99	94.84	94.80	94.54	89.62	98.04	93.28
Fixed Interest	111.54	111.47	111.33	111.36	111.33	105.62	113.83	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	May 26	May 25	May 24	May 21	May 20
Gilt Edged Bargains	106.3	95.4	87.3	85.1	81.7
5-Day average	93.2	91.8	97.8	99.6	101.1

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	113.6805	+0.361	7.51	7.54	7.56
BELGIUM		9.000	03/03	111.2000	+0.250	7.35	7.41	7.50
CANADA *		7.250	06/03	98.6000	+0.950	7.45	7.52	7.51
DENMARK		8.000	05/03	103.3500	-0.020	7.51	7.47	7.64
FRANCE	BTAN	8.000	05/98	105.4611	-0.003	6.66	6.61	6.84
	OAT	8.500	04/03	109.1700	+0.160	7.17	7.15	7.16
GERMANY		6.75	04/03	99.5750	+0.360	6.81	6.86	6.67
ITALY		11.500	03/03	97.3650	-0.165	12.31†	12.23	12.69
JAPAN	No 119	4.800	06/99	101.4784	+0.145	4.49	4.61	4.22
	No 145	5.500	03/02	105.6112	-0.001	4.57	4.61	4.30
NETHERLANDS		7.000	02/03	102.2500	+0.500	6.66	6.67	6.59
SPAIN		10.300	06/02	98.6002	+0.653	10.90	11.19	11.56
UK GILTS		7.250	03/98	100-21	-2/32	7.08	7.10	7.01
		8.000	06/03	99-26	-5/32	8.03	8.06	7.88
		9.000	10/08	104-30	-3/32	8.42	8.45	8.27
US TREASURY *		6.250	02/03	99-11	+9/32	6.34	6.07	6.10
		7.125	02/23	102-14	+21/32	6.93	6.96	6.87
ECU (French Govt)		8.000	04/03	103.6500	-0.080	7.48	7.46	7.59

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Milan SE in further moves to modernise

By Haig Simonian in Milan

THE MILAN stock exchange is set to lose its reputation for having one of the longest settlement periods in the world for orders with the introduction of a new timetable designed to cut settlement from six weeks to just three working days.

The settlement plan is part of a broader campaign to modernise Italian equity trading and belatedly make Milan more competitive with other European bourses.

It follows moves in the past two years to reform the stockbroking system and begin screen-based trading of some equities.

The move to screen-based trading, which has been extended to include the shares of 39 companies, together with the inauguration of a clearing house for deals form the basis of the shift to speedier settlement.

Under the new proposals drawn up by the Consob stock market and companies watchdog, settlement will take place on the third business day after a trade is made. Full details of how the system will work will be ready in September.

The new practice is due to start on January 17 next year, after having been preceded by a lengthy training and testing phase, due to begin in the final quarter of this year.

As previous deadlines for other bourse innovations have slipped badly, dealers may regard the latest timetable as indicative.

However, Consob has made no secret of the importance of quicker settlement to improve efficiency and transparency on the stock exchange, indicating that the changes are bound to take place, even if a little behind schedule.

Meanwhile, screen-based trading is due to make another leap in July, with the inclusion of shares in about 40 more companies.

The expansion of the scheme will, in turn, lead to the inauguration of futures trading on Italian stocks, although that is considered to be still some way off.

ISMA considers shortening bond settlement time

By Tracy Corrigan in Copenhagen

PLANS to shorten substantially the standard settlement period for Eurobonds are being put forward by the market practices committee of the International Securities Market Association.

Traders at ISMA's annual meeting in Copenhagen will be asked to consider shortening the seven-day settlement period to two or three days.

Mr John Dowsett, deputy chairman of the committee, said this would bring the Eurobond market into line with other markets.

Mr Dowsett and the committee favour two-day settlement, which is the standard in the foreign exchange market and most domestic bond markets.

Shorter settlement periods are favoured by regulators because they reduce the amount of systemic risk, by cutting the period of exposure between trade and settlement dates. But the market has been slow to respond: four years ago the Group of Thirty set a target of three-day settlement by the end of 1992

If the Mr Dowsett's proposal finds favour with ISMA members, the next step will be to set up a working party consisting of regulators, fund managers, global custodians, the two Eurobond clearing houses, Euroclear and Cedel, and ISMA representatives. Mr Dowsett hopes a new standard could be introduced on January 1 1995.

The move to two or three-day settlement would bring tangible benefits to trading firms. First, by reducing exposure, it would reduce the amount of capital tied up by trading, freeing up capital for other areas of business, such as the derivatives markets.

From the trader's point of view, quicker settlement would also reduce counterparty credit risk. Under the current system, counterparty credit limits are constantly under pressure, with traders often exceeding the internal limits placed on their exposure to any single counterparty.

On a technical level, switching between markets would be easier if they had similar settlement periods.

Objections to the proposals could come from firms servicing retail investors. Regional representatives of ISMA have already canvassed members.

"There was some negative feedback from Belgium," said Mr Dowsett but the volume of retail business is small and could continue to use seven-day settlement. In other words, there would be a two-tier market with most trades settling in two or three days.

Cemex $1bn deal sets benchmark for Mexican debt

By Sara Webb

CEMEX, the largest cement company in Mexico and the fourth largest in the world, yesterday launched the biggest Eurobond ever by an emerging market name with a $1bn, five-year offering.

The deal will set a benchmark among Mexican issues and was well-received in the market. Cemex plans to use the proceeds to refinance existing debt on more favourable terms, reducing its overall financing costs and extending the average maturity of its debt.

Part of the proceeds will refinance the balance of a $1.1bn bridge loan related to the acquisition last year of two Spanish cement companies – Cementos Sanson and Valenciana – while the rest will be used to prepay Cemex's 9.41 per cent notes due May 1996.

The 8.875 per cent bonds due June 1998 were priced at 99.53 and rose to 100.375 by late afternoon. The yield spread over US Treasuries was 370 basis points at launch, and tightened to 345 basis points.

"It was a blow-out," said one dealer involved in the deal, saying the bonds had been priced to ensure they would trade at a premium.

J.P. Morgan, the book-runner, said the deal met strong institutional demand. Cemex is well known in the capital markets and has seen yield spreads narrow considerably: the spread on its seven-year bonds due 1999 has fallen from 450 basis points at launch to 345 basis points recently.

Two other Latin American names tapped the dollar sector yesterday: Banco Safra and Banespa, two Brazilian banks, with deals of $55m and $100m respectively. There has been a flurry of Brazilian banks borrowing in the Eurobond market recently, as the terms are more attractive than in the domestic market.

The Republic of Italy launched a $300m tranche of its 10-year bond issue, a further step in its recent bond exchange offer.

Meanwhile, the EIB launched its first dragon bond issue, a $500m, five-year offering which is listed in Hong Kong, Singapore, and Luxembourg, and aimed at investors in the Asia-Pacific region.

The dragon bond market has seen borrowers such as the ADB, NIB and GECC. One or two European sovereign names are said to be exploring this area in the hope of raising funds at lower costs.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Cemex	1bn	8.875#	99.53R	Jun.1998	1.125R	+370(5¾%-98)	JP Morgan Securities
Republic of Italy(a)	300	6.625	97.915R	Jun.2003	0.325R	+75 (6¼%-03)	Morgan Stanley Intl.
Banespa	100	11#	100R	Jun.1996	1.25R	+650(4¼%-96)	CSFB
Banco Safra(b)	55	8.625#	99.615R	Jun.1996	1.0R	+450 (b)	Bear Stearns Intl.
GUILDERS							
Bayerische Vereinsbank	200	7	100.25R	Jun.2003	0.26R	+30 (6½%-03)	Rabobank Nederland
SWEDISH KRONA							
Nordic Investment Bank	500	8.5	98.75R	Jun.2000	0.3R	-	Morgan Stanley Intl.
STERLING							
Sedgwick Group(c)§	41.5	7.25#	100R	May.2006	2.5R	-	NM Rothschild/ SG Warburg
SWISS FRANCS							
Aoki International Co.(d)★Φ	300	1.25	100	Jun.1997	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. §Convertible. ΦWith equity warrants. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fungible with new 10-year bonds created in the current exchange offer. b) Callable and puttable on 3/12/95 at par. Spread is over the interpolated yield curve using the yield to put. c) Conversion price: 190p. Callable from 14/12/98 at par. d) Final terms fixed on 3/6/93. Callable on 16/6/95 at 102% declining by ½% semi-annually.

S&P upgrades Portugal

By Jane Fuller

STANDARD & Poor's, the credit rating agency, has upgraded the Republic of Portugal's long-term foreign currency debt from A+ to AA–.

The new rating has been assigned to the Y75bn five-year Eurobond issued in January. The bond's launch spread over the comparable Japanese government bonds was about 75 basis points, but it widened to the mid-80s. Yesterday, the spread narrowed by about 7 basis points, bringing it down to 70–75 basis points.

Daiwa Europe, one of the lead managers, said the change would open up the Republic's Eurobonds to more institutional investors but others would still be deterred by the split rating.

Moody's, the other big rating agency, has not altered the A1 rating it assigned in 1986.

Mr Manuel Pinho, director general at the Portuguese Treasury, said the main aim was to create a benchmark and to continue pushing out the maximum maturity of the bonds issued. Portugal plans to borrow a further $2bn-$2.5bn by the end of the year. The state's annual public sector borrowing requirement is running at just over $3bn, about 4 per cent cent of GDP, down from 12 per cent in 1985.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 27

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl 9½ 94	250	[illegible]	[illegible]	[illegible]	4.32
Alberta Province 9⅞ 95	600	[illegible]	[illegible]	[illegible]	4.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	[illegible]	[illegible]		8.14
ECSC 7¼ 94 LFr	1000	100	101		7.73
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	42	16	21
Other Fixed Interest	0	3	12
Commercial, Industrial	299	225	876
Financial & Property	204	91	502
Oil & Gas	17	11	56
Plantations	1	0	7
Mines	22	40	77
Others	35	20	69
Totals	620	406	1,620

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
40	F.P.	-	56	55	Break for the Border	56		[illegible]	-	-	6.7
25	F.P.	-	30	[illegible]	Bunzl/Aggregates	33		-	-	-	-
100	F.P.	-	100	95	China Inv. Tst.	96	-1	-	-	-	-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+or-
[illegible]	[illegible]	14/6	10½pm	7pm	Conrad Ritblat SE	7pm	-2
105	[illegible]	9/7	20pm	18pm	Countryside Prop.	19pm	
8	[illegible]	5/7	3½pm	[illegible]	Graycote	1½pm	
14	[illegible]	7/7	4pm	3pm	Jarvis	3pm	[illegible]
255	[illegible]	7/7	38pm	27pm	Royal Insurance	31pm	[illegible]
130	[illegible]	5/7	54pm	26pm	Smith & Sons	41pm	[illegible]
171	[illegible]	30/6	13pm	10pm	United Drug	12pm	-7

[illegible] Figures based on prospectus estimates. [illegible] Forecast annualised dividend, cover [illegible] p/e ratio based on prospectus or other official estimates. [illegible] figures. ‡ Issued by way of rights. † Introduction. § Placing price. [illegible]

TRADITIONAL OPTIONS

- First Dealings May 17
- Last Dealings May 28
- Last Declarations August 12
- For settlement August 23

3-month call rate indications are shown in Saturday editions.

Calls in: Boots, Bridon, Cannon St., Christies Intl., Cupid, Enterprise Comp., Excalibur, Five Oaks Inv., Hanson Wts., Johnson & FB, Nth. Broken Hill, Regalian Prop., Ratners, Sycamore, Trafalgar Hse., Waverley and Western Areas. Puts in: Hays and Kewill Systems. Puts & Calls: Emess Lighting, Greycoat, Hartstone and Hollas.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero (*328)	300	45	59	70	15	28	32
	330	30	44	[illegible]	29	41	46
Eurotunnel (*411)	390	31½	53½	69½	7½	24	35½
	420	13½	37	55½	18	40	52

May 27 Total Contracts 26,614
Calls 13,805 Puts 12,809
FT-SE Index Calls 4,715 Puts 4,232
Euro FT-SE Calls 648 Puts 1,628
*Underlying security price. †Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Thu May 27	Day's change %	Wed May 26	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.81	+0.07	127.92	2.28	4.09
2	5-15 years (22)	148.80	+0.02	148.77	2.46	5.22
3	Over 15 years (10)	157.37	+0.02	157.33	2.88	3.48
4	Irredeemables (6)	175.38	-0.02	175.42	1.08	6.12
5	All stocks (64)	143.42	+0.04	143.37	2.44	4.58
	Index-Linked					
6	Up to 5 years (2)	194.08	+0.13	193.78	0.75	1.92
7	Over 5 years (11)	174.21	+0.23	173.87	1.1[illegible]	1.72
8	All stocks (13)	174.42	+0.22	174.06	1.08	1.75
9	Debs & Loans (68)	127.77	+0.35	127.32	2.02	4.79

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 27	Wed May 26	Year ago (approx.)
	British Government				
1	Low	5 years	7.11	7.12	7.97
2	Coupons	15 years	8.83	8.82	8.81
3	(0%-7¾%)	20 years	8.28	8.25	8.81
4	Medium	5 years	7.34	7.35	9.08
5	Coupons	15 years	8.43	8.43	8.87
6	(8%-10¾%)	20 years	8.54	8.54	8.84
7	High	5 years	7.58	7.57	9.27
8	Coupons	15 years	8.70	8.69	9.01
9	(11%-)	20 years	8.75	8.74	8.95
10	Irredeemables (Flat Yield)		8.62	8.62	9.02
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.98	3.01	3.96
12	Inflation rate 5%	Over 5 yrs.	3.54	3.56	4.34
13	Inflation rate 10%	Up to 5 yrs.	2.21	2.24	3.24
14	Inflation rate 10%	Over 5 yrs.	3.36	3.37	4.16
15	Debs &	5 years	8.84	9.01	10.38
16	Loans	15 years	9.42	9.48	10.12
17		25 years	9.57	9.61	10.03

Heavy spending programme offsets higher operating profit

SW Water rises 3% to £93m

By Angus Foster

SOUTH West Water yesterday announced a 3 per cent profits increase, in line with expectations.

Mr Ken Hill, finance director, described the 12 months to March 31 as "an excellent year" and said South West's heavy spending programme, which includes cleaning up 81 beaches, remained on track.

Annual pre-tax profits increased to £92.7m (£90m). At the interim stage, profits were 3.8 per cent ahead at £48.9m.

Higher operating profits, stemming from price increases, were offset by falling interest income as the net cash position deteriorated in line with the heavy capital investment.

Turnover increased by 16 per cent to £194m (£167m), mainly helped by average price rises of 17 per cent.

Because of the improvements needed in its area, South West has the highest agreed price increases with Ofwat, the water regulator, of inflation plus 11.5 per cent.

Operating profits increased by 29 per cent to £83.8m (£64.2m), helped by cost cutting and a divisional restructuring. Staff numbers fell by about 100 to just under 3,000. There were redundancy costs of £2.4m and bad debt amounting to £1.1m was written off.

South West's non-regulated business, which includes Haul-Waste, purchased in February from English China Clays, contributed turnover of £10.3m and was slightly loss-making after interest.

The company also announced the £14.9m acquisition of Testlink Holdings, a manufacturer of environmental monitoring equipment.

Capital expenditure in the period under review increased by 18 per cent to £203.7m. The company went from net cash of £150m to net borrowings of £14m.

Interest receivable declined from £25.9m to £11.9m.

Earnings increased to 67.9p (66.1p). The company recommended a final dividend of 15.9p (14.6p) to make an increased total of 23.7p (21.7p).

The share price closed 6p down at 514p.

COMMENT

This should be a revealing year for South West. Its cash pile is exhausted and last year's interest income will be replaced by an interest charge. Meanwhile, its non-core activities are set to grow rapidly at the sales level, thanks to the acquisitions, although their post-interest contribution will be under scrutiny. Overall, pre-tax profits will show a similar increase to last year. Despite dull profits growth, South West has the advantage of having renegotiated a price increase with the regulator already, when it agreed a "cost pass-through" in 1991. The agreed increases are not sacrosanct after 1995, but they are less at risk of regulatory rigour than some water companies. However, given that the whole sector is under the lengthening shadow of regulatory worries ahead of Ofwat's 1994 interim review, South West is likely to drift with its peers.

Macdonald Martin halved to £4.35m

By Paul Taylor

MACDONALD MARTIN Distilleries, producer of Glenmorangie and Glen Moray malt whiskies, blamed the recession and extreme competitive pricing, particularly in the blended sector, for a near 50 per cent decline in full year pre-tax profits.

The company, which had warned shareholders to expect a sharp decline, said pre-tax profits slumped from £8.57m to £4.35m in the 12 months to March 31.

Earnings per A share fell from 4.88p to 20.38p. However, as expected, the final dividend is maintained at 6.6p for an unchanged total of 8.8p.

Mr Neil McKerrow, managing director, said it had been "a difficult year for the industry," with margins suffering as a direct consequence of pricing pressures.

Turnover fell by 19.5 per cent to £24.2m (£30m) and despite an 8 per cent reduction in costs, operating profits declined by nearly 43 per cent to £5.66m (£9.89m).

Interest payments were virtually unchanged at £1.31m (£1.32m) with year-end borrowings increasing slightly to £13.1m (£12.4m), but gearing remaining steady at 30 per cent.

Shipments of single malt whiskies as a whole were down over the previous year, mainly because of lower duty free sales in the UK following the downturn in world travel as a result of the recession, coupled with a change in agency representation.

Glenmorangie sales increased in the US and Japan, although performance in Europe was affected by the recession.

Bulk blend shipments, mainly to Australia and the US, fell by 33 per cent in volume terms to 137,000 cases and by 48 per cent in terms of value.

The average price per litre dropped by 19 per cent as the company was forced to cut its own prices in response to price reductions in the market.

After allowing for stocking problems, Mr McKerrow said Glenmorangie's performance in the UK, where sales increased by 9 per cent in value terms despite a 2 per cent downturn in volume, was in line with the market.

During the year the company also suffered from the downturn in intra-company trading contracts because of trading conditions in the industry and a number of contracts did not materialise.

On the outlook Mr McKerrow said it looked like "another tough year for the industry and ourselves." He said production of Glenmorangie was running at a third of capacity and Glen Moray at 60 per cent, compared with an average of about 40 per cent for the industry.

He warned that first half results were likely to be below those last year, but that the second half should show an improvement. For the full year he expected improved trading profits, offset by the need to write off excess capacity.

Sanderson Murray to expand with £14m buy

By Catherine Milton

SANDERSON Murray & Elder, the Yorkshire-based motor distributor, yesterday announced a £17.1m rights issue to fund the takeover of Skipper Group, another northern motor distributor and part of RTZ, the mining group.

Sanderson is paying £14m in cash for Skipper. It will repay £11.8m of inter-company debt to RTZ to be replaced with bank borrowings from Barclays. SME's gearing, currently 26 per cent, will rise to 61 per cent after the acquisition, but is projected to fall to 50 per cent by the year end.

Tony Bramall: dealerships doubled as result of buy

Mr Tony Bramall, SME executive chairman, said the acquisition would more than double the number of dealerships that SME owned and would add three new manufacturers to its portfolio of franchises.

The 10-for-9 rights of 17.4m new shares is priced at 102p. The shares rose 3p yesterday to close at 120p.

Directors of SME have agreed to take up 4.6m shares and the balance – underwritten by Barclays de Zoete Wedd – has been placed with institutional investors. Mr Bramall's 51.7 per cent beneficial holding will fall to 38.1 per cent of the enlarged company.

Skipper was founded in 1961 and floated in 1964. The company incurred a pre-tax loss of £1.05m on turnover of £196m in 1992.

The loss stemmed materially from the company's contract hire car division which stopped taking on new business in August 1991. Some contracts have up to two years still to run.

Skipper, which has net assets of £14.2m, made an operating profit of £900,000 after providing £596,000 exceptional charges against the closure of its commercial vehicle businesses. Interest charges amounted to £1.5m.

MB-Caradon pays $88m for bank cheque printer

By Roland Rudd

MB-CARADON, the building products and security printing company, is expanding its US printing activities by buying Checks in the Mail, a printer of bank cheques sold directly to customers through the post, for $88m (£56m).

It is the first purchase by Caradon since it sold its 25.3 per cent stake in CarnaudMetalbox (CMB) for £473m, leaving it with net cash of £428m.

Mr Peter Jansen, chief executive, said the market should not infer that the takeover meant the group was looking at completing a series of small bolt-on acquisitions.

"A big deal is still what we would like to do; I am not as pessimistic as some that big acquisitions are unattainable," he added.

Checks in the Mail is being purchased from Rexham, the US subsidiary of Bowater, the packaging and industrial films group.

The net assets of Checks in the Mail at the end of 1992 were $5m and net profits were $3.8m on sales of $38.7m.

Caradon's US printing activities generates revenue of almost $300m accounting for 15 per cent of the US cheque printing industry.

The business of selling cheques directly to customers in the US is growing by 12 per cent a year while the usage of cheques is rising by 1 to 2 per cent a year.

Mr Jansen said he was effectively paying "an entry price" to get into the lucrative business of selling cheques directly to customers by mail.

Mr David Lyon, Bowater chief executive, said the sale would enable his company to focus on its core industrial films and coatings, packaging and building products.

Apollo makes £4.9m placing as build-up costs hit profits

By Catherine Milton

APOLLO METALS, the USM-quoted aluminium processor and distributor, plans to move up to a listing with a £4.87m placing and open offer to repay bank borrowings and invest in growth.

It has also reported, as expected, a fall in first half ended March 31 pre-tax profits from £711,000 to £588,000. It was hit by the cost of building up its new French and German operations.

Stockbrokers Griffiths and Lamb have conditionally placed 5.22m shares, and are offering them at 101p on the basis of 2-for-5 ordinary or 2.76-for-5 preference shares. The ordinary closed down 2p at 111p. The directors will not take up any new shares.

Placing proceeds will reduce bank borrowing to minimal levels from £5.45m now, representing gearing of more than 50 per cent.

Mr Albert Hargreaves, chairman, said the company hoped for mainly organic growth: "We will be sticking to the knitting."

Turnover for the six months rose to £14.6m (£12m) helped by international sales more than trebled to £3.73m (£1.21m).

Loss-making German operations, which started trading in early 1992, contributed sales of £1.39m (£529,000); break-even is expected by December. It hopes to repeat the sales pattern of the UK, up slightly at £10.8m, where during the downturn some buyers have found Apollo's just-in-time supplies of processed aluminium more attractive.

The five-strong French sales team, operational from the end of 1991, contributed turnover of £496,000 (£128,000) and is almost breaking even.

Exports elsewhere rose to £1.84m (£549,000). Orders for aerospace products were down, accounting for a third of turnover. Long-term orders were worth a quarter of sales.

Operating costs increased to £13.8m (£11.2m) reflecting capital spending of £1.6m mainly in Germany and a £500,000 purchase of materials processing equipment. Net interest payments were £183,000 (£58,000).

The interim dividend is stepped up to 1.2p (1.15p) out of earnings per share of 3p (3.5p).

Dobson Park falls £714,000 into loss

By Peggy Hollinger

DOBSON PARK Industries, which recently merged its mining equipment business with a rival to survive the UK coal crisis, fell into the red in the first half with pre-tax losses of £714,000.

The sharp swing from profits last year of £6.2m was primarily the result of the £4.36m book loss on the disposal of two businesses. However, the restructuring of the mining division and uncertainty over the future of the UK coal pits had also hit profits.

Losses per share totalled 1.12p, against earnings of 3.32p. The interim dividend is cut from 1.9p to 1.2p. Net operating return was 39 per cent lower at £4.1m, on sales 27 per cent down to £71.8m.

Mr Alan Kaye, chairman, said the group expected a much better performance from the mining division in the second half. The business had suffered a 50 per cent drop in net operating profits to £1.5m during the six months to April 3.

Orders were running ahead of last year, the chairman said, and the joint venture with Meco International would easily achieve forecast turnover of £200m in 1993.

Dobson Park, which is in the process of refocusing on its industrial electronics and mining businesses, sold its aerospace components operation and loss-making power tools subsidiary for a total £15m cash. Net debt after inclusion of the power tool proceeds would be £5.7m.

Mr Kaye said the group hoped to expand the industrial electronics division in the UK to avoid potential ACT problems. Currently about 75 per cent of this division's sales come from overseas. Industrial electronics returned operating profits of £2.2m (£2.4m) in the first half. Toys and plastics fell from £537,000 to £364,000.

BICC to float Andover on Nasdaq

BICC, the international cables and construction group, is to float its US subsidiary, Andover Controls, on the Nasdaq National Market System.

The flotation of Andover, which makes micro-computer based building automation systems, follows BICC's decision to concentrate on its core businesses.

BICC is making an initial public offering of 3m shares (about 60 per cent) of the common stock at an estimated price of between $14 and $16 per share.

Upon completion, it will retain an interest of some 33.8 per cent in Andover (24.8 per cent if the underwriters' over allotment option is exercised in full) and Andover employees will hold about 6.2 per cent.

Net proceeds received by Massachusetts-based Andover, estimated at $41.4m (£27m), will be used to repay intercompany indebtedness.

NEWS DIGEST

Jackson Grp £166,000 in black

JACKSON GROUP, the East Anglian construction and industrial services company, finished 1992 with a pre-tax profit of £166,000.

That compared with a deficit of £1.55m last time and came from turnover down from £59.5m to £57.6m. The outcome, however, represented a downturn from the profit of £386,000 reported at the interim stage, when exceptional income of £374,000 boosted the results.

A same-again final dividend of 1p is proposed, making a total for the year of 1.5p (2p).

Trading to resume in Mosaic shares

Dealings in the shares of Mosaic Investments, the Birmingham-based mini-conglomerate, are expected to resume today following acceptance of the company's refinancing proposals at yesterday's extraordinary meetings.

The shares were suspended last September at 60p.

Xtra-Vision to sell Videosmith offshoot

Xtra-Vision, the Dublin-based video cassette rental company, yesterday blamed a downturn in performance at Videosmith, its US offshoot, for the fall in full year profits, and said that it intended to sell its Boston-based subsidiary.

With turnover marginally lower at I£23.7m (I£22.9m) pre-tax profits for the year ended January 31 declined from I£1.68m to I£1.01m, or £976,000 sterling.

Arising from the sale decision, the group had provided I£4.7m as an extraordinary item against the value of Videosmith. Discussions regarding the sale had taken place with interested parties but there was no deal imminent.

As an interim measure, Xtra-Vision had disposed of four under-performing stores in New Hampshire. Videosmith continued to trade profitably and its performance so far this year was ahead of 1992.

Extraordinary charges totalled £5.56m (£590,000) and earnings per share fell from 1.18p to 0.55p.

City of London PR shows 12% growth

Increased profits from international public relations and the first full-year contribution from its UK market research subsidiary helped City of London PR Group achieve 12 per cent profits growth.

On sales £1m higher at £3.19m, the USM-quoted investor relations services and market research specialist, raised the pre-tax figure from £521,000 to £585,000 in the year to March 31.

The increased final dividend of 2.35p makes a total of 3.5p (3.18p) for the year on earnings per share up 14 per cent to 5.46p (4.78p). Net assets at the year-end stood at 47.7p, against 45.7p.

The share price yesterday rose 5p to 55p.

Southnews advances 76% to £1.58m

Southnews, the USM-quoted London regional newspaper publisher, lifted pre-tax profits by 76 per cent in the year to April 3.

The advance, from £899,000 to £1.58m, was achieved on lower turnover of £13.9m (£14.1m) and was after an exceptional £364,000 gain on the sale of its south coast newspapers. Turnover from continuing operations improved from £12.4m to £13.1m.

Earnings per share worked through at 6.59p (5.32p) and the dividend is lifted to 2.1p (1.5p) with a proposed final of 1.4p (1p).

Reorganisation costs totalling £13m contribute to the profits downturn

Babcock refocuses after fall to £21m

By Richard Gourlay

BABCOCK International, the engineering group, is to cut up to 500 jobs at its Renfrew plant outside Glasgow as part of a belated refocusing on international markets.

The group set up a £13m provision for reorganisation, one of the factors behind a fall in pre-tax profits from £56m to £21m on sales down 10 per cent at £748m.

The board is recommending a final dividend of 1.1p, giving a total for the year of 2.1p compared with 3.15p. Earnings per share fell from 8.19p to 1.72p.

Mr Jeff Whalley, acting chief executive, said the group had reorganised and accounted for the changes which would allow Renfrew to be a smaller manufacturing base for a more aggressive push into international markets.

The group would be sourcing some of its more basic engineering needs from countries near where it hopes to win contracts, particularly in the Far East.

Mr Whalley, brought in by Lord King, chairman, after Mr Oliver Whitehead left the chief executive position in April, said the group had not been changing direction fast enough under the previous management. Lord King is understood to be meeting potential chief executives next week.

At the operating level profits fell from £43.6m to £32.3m.

Energy and Manufacturing halved from £17.46m to £8.75m partly because of delays and postponements of orders. New contracts had been won in Greece, the UK and in Hong Kong, so the division ended the year with a forward order book of £317m, up from £296m at the end of March 1992.

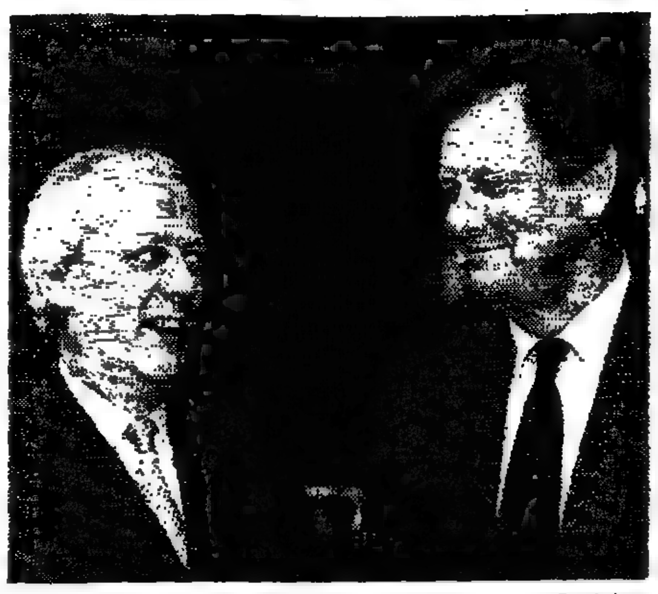
Mr Whalley said Babcock was in preliminary discussions with two continental European groups to form an energy joint venture with combined sales of £700m that would be in a better position to compete.

Contracting and construction fell from £12.66m to £5.26m while facilities management at Rosyth Royal Dockyard fell from £10.46m to £6.83m.

Materials handling, enlarged by the merger of Consilium and Claudius, had increased profits from £7.17m to £12.1m while the African division produced marginally lower profits of £6.79m (£7.13m) on sales more than halved to £73.86m.

Net group cash fell from an abnormally high level of £111.6m to £41m. Much of this was advance payment on contracts. Mr Erik Porter, finance director, said the underlying reduction in cash was £20m – £14m in settlement of litigation in Germany and £5m which was invested in a joint venture with Yorkshire Water.

Net cash would fall further this year as retentions built up from the Drax coal-fired complex in Yorkshire.



Tony Andrews

Jeff Whalley (left) and Erik Porter: in energy joint venture talks

COMMENT

It is difficult to see how Babcock can transform itself in quite the manner management has mapped out. Unless it can find a niche, why should multinational companies prefer to deal with a group of Babcock's size rather than ABB, for example? With net assets of only £93m – a figure already bolstered by a £32m pension fund surplus – and sales of £750m, Babcock might even be ruled out of certain contracts by its modest resources and the negative impact that big contracts would have on its cash position. Rosyth remains an unknown quantity, but loss of the Trident re-fit contract could mean a slow shrinking of a traditional earner. The company says it has conservatively budgeted £200m of orders which should nearly fill Renfrew next year. But to achieve this, Babcock is going to have to run hard internationally. Despite the above average yield and low prospective multiple – 8 times based on pre-tax profits forecasts of £36m for 1993 – there are many better engineering recovery stories.

Lack of interest in RJB Mining

By Peggy Hollinger and Michael Smith

THE PUBLIC has subscribed for only 20 per cent of the 6.7m shares offered to them in RJB Mining, the group formed in a management buy-out to take advantage of opportunities following British Coal's privatisation.

RJB is the first company this year to fail to attract widespread public interest. Last year the market experienced a series of public flops including Taunton Cider, The Telegraph, MFI and Anglian Group.

Institutions were more enthusiastic about prospects for RJB, however. The company said yesterday institutional demand had exceeded the number of shares available. Some 20m shares had been placed with institutions at 125p. Of those, 6.7m were subject to clawback to satisfy retail demand, but the public subscribed for only 1.3m. The applications were met in full.

Trading will start on June 7 with institutions holding 85 per cent of the equity, retail investors and management 5 per cent and Mr Richard Budge, chief executive, 10 per cent.

Mr Budge said the lack of interest from the public was largely due to the gloomy headlines on British Coal. "Too many people read what happens to British Coal as what is happening to the coal industry and that is not true," he said. There were plenty of opportunities and RJB intended to compete with world coal prices.

RJB planned to bid for the Easington colliery, one of four pits which British Coal announced yesterday that it would put up for sale. RJB did not intend any share issues in the near future to fund purchases of British Coal pits.

The public response to RJB's flotation will have been strongly influenced by the problems British Coal is experiencing in selling coal to the electricity generators.

Mercury Asset advances 26% to more than £65m

By Norma Cohen, Investments Correspondent

MERCURY Asset Management, Britain's largest institutional fund management company, yesterday reported a 26 per cent rise in pre-tax profits to £65.1m for the year ended March 31 1993.

The company, which is 75 per cent owned by investment bank SG Warburg, has proposed a final dividend of 12p (8.9p) making a total of 15p against 11.5p.

The results include a £2.9m gain on the sale of Mercury's sale of its stake in fund manager Jupiter Tyndall which had been written down the year before.

Mr Hugh Stevenson, chairman, said the improved results reflected a net increase in funds under management of £1.9bn. Gross funds under management rose to £49.7bn compared with £40bn, with a significant portion of the rise reflecting the dramatic improvement in asset values following Britain's withdrawal from the European Exchange Rate Mechanism last year.

While the bulk of the net inflow consist of the institutional UK pension fund assets which have been the mainstay of Mercury's business, a significant portion are accounts from private clients, overseas accounts and charities.

Funds managed for international clients have risen by about 30 per cent during 1992-93 to £9.4bn.

Mr Stevenson explained that Mercury had spent about £25m in upgrading its systems over the past five years which has allowed it to expand funds under management dramatically without significant expansion in staff.

See Lex

Cazenove replaced as fund manager

THE LONDON Pensions Fund Authority, which administers the pensions of the London borough employees, has sacked Cazenove as one of its external fund managers because of poor performance and replaced them with Gartmore, writes Norma Cohen.

The move is part of a growing trend among pension funds to concentrate on four major independent fund managers, of which Gartmore is one. The others are Mercury Asset Management, Philips and Drew Fund Management and Schroder Asset Management and the group is estimated to manage roughly a quarter of the entire UK pension fund market.

The LPFA, which has about £1.8bn in assets, has three external managers overseeing pools of between £450m and £480m each. Since 1988, Cazenove, PDFM and Prudential Portfolio Managers have each managed one of the pools. However, Cazenove has been unable to meet the performance target recently.

Mr Peter Scales, chief executive of LPFA, said the managers were expected to produce returns, assessed on a three-year rolling basis, of one percentage point above the median UK pension fund pool as measured by the WM Company, an independent performance measurement service.

Mr Scales said its short-list of contenders, besides Gartmore, were Schroder, Edinburgh-based Baillie Gifford and Baring Asset Management.

Also, LPFA has removed Bacon and Woodrow as its actuarial advisers and retained the much smaller consultancy firm of Hymans Robertson.

Mr Scales said that while Bacon and Woodrow had provided excellent service, the LPFA preferred a consultancy firm specialising in the local authority market.

Sedgwick issues £41.5m bond to help reduce borrowings

By Richard Lapper

SEDGWICK, the insurance broker, yesterday announced the issue of a £41.5m convertible bond. The group said it would use the proceeds for general corporate purposes and reduce debt of some £300m.

Mr Jeremy Pinchin, the company secretary, said markets had responded positively to the issue, much of which had been placed with European investors by lead managers, SG Warburg Securities and NM Rothschild.

The bonds will carry a coupon of 7.25 per cent and be paid semi-annually in arrears, with the conversion price set at 190p (15.85 per cent over the price of Sedgwick's ordinary share price at the time of the pricing).

Unless previously converted or redeemed, the bonds will be redeemed on May 31, 2008. Sedgwick may redeem the bonds at their principal amount plus accrued interest at any time from December 14, 1998.

Asprey expands further with £11m Swiss deal

By Peter Pearse in London and Ian Rodger in Zurich

ASPREY, the USM-quoted jewellery group, yesterday announced that it would continue its recent expansion with the acquisition of Les Ambassadeurs, a specialist retailer of high quality watches and jewellery in Switzerland.

The consideration of SFr24.3m (£10.8m) will be funded by a seven-year Swiss franc term loan fully underwritten by Lloyds Bank.

Les Ambassadeurs, an affiliate of Siber Hegner Holding, is among the most upmarket watch and jewellery chains in Switzerland. In 1992 it made profits before interest and tax of SFr1m on sales of SFr31.1m.

Mr Naim Attallah, Asprey chief executive, said Credit Suisse had suggested the acquisition, knowing that Asprey was keen to broaden its customer base and expand in Europe. The group has traded in Geneva for 20 years (under the Asprey name). It also owns Garrard, Mappin & Webb – which is soon to open a branch in Prague – Hamilton & Inches, and Rene Boivin. Last June it paid £23.2m for Watches of Switzerland.

Siber Hegner, which managed Les Ambassadeurs as a stand-alone business, is a private, family-owned company that has specialised in trading a wide range of Swiss precision machinery and prestige consumer products in the Far East. About 40 per cent of its SFr1.45bn sales in 1991 came from Japan.

The acquisition is conditional upon the Swiss authorities approving the transfer of leases over certain lengths.

River & Mercantile £9.7m open offer

RIVER & Mercantile Extra Income Trust plans to raise about £9.7m through an open offer of 10m zero dividend preference shares at £1 each.

The offer is on the basis of 1 zero for every 4.321 ordinary shares or 4.274 warrants held at May 19. Shareholders or warrantholders may also apply for additional shares.

Shares will be repayable on the company's planned winding-up date of September 29 2000 on terms which will reflect a gross redemption yield 2.2 percentage points above the equivalent on low coupon 5 year gilts.

Gross redemption yield and final repayment entitlement will be announced by the opening of business on June 23 1993, when dealings are expected to begin.

The offer is fully underwritten by SG Warburg Securities.

MTS close to agreeing restructure

By Angus Foster

MARITIME Transport Services, which is developing the new Thamesport container facility at the Isle of Grain in Kent, is close to agreeing a financial restructuring with its banks. This follows mounting losses because of recession and lower than expected container throughput.

MTS said its banks and shareholders had reached "agreement in principle" for a restructuring, which remains subject to final documentation and approval by some lenders' head offices.

Sources involved in the restructuring said it involved converting "a large chunk" of £120m debts into equity. One institutional shareholder said he expected final agreement in "four to six weeks".

The restructuring was triggered when MTS breached some of its banking covenants last May and made a pre-tax loss of £18.5m in 1991, mainly attributable to interest charges.

The company agreed with its banks to defer about £9.5m of interest payments until the end of May and negotiated a £2m extension to its overdraft facility.

Hoars leave Hoskins Brewery

HOSKINS Brewery shares were suspended yesterday on the USM at 58p at the company's request, following an acquisition which will lead to an offer being made for the company. Hoskins is acquiring certain assets and businesses from Swithland Estates and Swithland Corporation, which are owned by Mr Adam Page.

Consideration is expected to be £4.3m, supported by a property valuation. It will be settled by £2.1m cash and 4m new shares representing 41 per cent of the enlarged equity.

Subject to an EGM being convened, a cash offer at 55p per share will then be made on behalf of the vendor. Mr Barrie Hoar, chairman, and his brother Robert, a director, and their immediate families have irrevocably agreed to accept or procure acceptances of the offer in respect of 1.2m shares (20.3 per cent). Acceptances are also expected in respect of 275,146 held in trust or in pension funds on behalf of the Hoar family.

Mr Adam Page will become chairman and chief executive. Mr Barrie Hoar, Mr Robert Hoar, Mr Geoffrey Sharpe and Mr David Shaw will resign as directors.

HK Telecom 13% ahead aided by larger user base

By Simon Holberton in Hong Kong

HONGKONG TELECOM, Hong Kong's telecommunications monopoly which is 58.5 per cent owned by Cable and Wireless of the UK, yesterday announced a 13 per cent rise in net profits to HK$6.4bn (£457m) for the year to March 31.

The outcome was struck on an 18 per cent rise in turnover to HK$21.6bn from HK$18.3bn – which included a 23 per cent gain in revenues from international telephone traffic to HK$13.6bn.

The final dividend of 23.1 cents raises the total for the year 14 per cent to 43.4 cents.

Analysts said that the growth in profits and revenues indicated that the underlying trends in the company's main businesses remained extremely favourable.

It was the growth in Hongkong Telecom's business user base and the volume of telephony that caught the eye of analysts. Overall growth in installed services to businesses rose by about 13 per cent compared with the previous year.

Growth in international telephony was also very strong. Overall it rose by 26.5 per cent, of which services to China grew by 30 per cent. The significance to Hongkong Telecom of China was underlined by the volume – 44 per cent – of the company's international traffic being calls either to or from the mainland.

Mr Mike Gale, the company's chief executive, said that he thought Hongkong Telecom was well placed to participate in telecommunications on the mainland when the Chinese government decided the time was right to admit foreign participation.

To date, the Chinese government has said it would not permit foreign involvement in the ownership, management or operation of telecommunications services on the mainland.

The company announced a number of changes to accounting practices which had the effect of reducing the 1993 profit figure. A decision was taken to accelerate the depreciation of submarine cable technology, which resulted in an extra charge to the profit and loss account of HK$105m.

In addition, Hongkong Telecom increased its contribution to its staff pension scheme by a one-off injection of HK$225m and an ongoing commitment to raise its contribution by an extra HK$127m a year.

The company said its pension fund was underfunded, and that returns earned by its fund managers had failed to keep pace with the high rate of salary inflation in Hongkong.

Speckled Hen helps Morland grow

By Paul Taylor

MORLAND & Co, the Thames Valley-based brewer which beat off a hostile takeover bid by Greene King last year, yesterday announced a 29 per cent profits increase and a trading agreement with Bass covering its fast growing Old Speckled Hen ale.

Pre-tax profits in the half-year to March 31 increased to £3.63m, against a restated £2.82m, on turnover up 28 per cent at £34.1m (£18.8m).

A 45 per cent rise took operating profits to £4.82m (£3.32m) but net interest costs jumped to £1.16m (£349,000) reflecting sharply increased net borrowings of £26.3m (£8m). Gearing stands at 26.3 per cent.

Earnings per share amounted to 11.9p (9.4p restated) and the interim dividend is raised to 2.78p (2.42p).

The 1992 figures have been restated to comply with the FRS 3 accounting standard.

The main change is in the treatment of exceptional items and the bid defence costs last year. On the old basis pre-tax profits would have increased by 20 per cent from £3.06m to £3.66m and earnings from 10.5p to 12p.

Mr Jasper Clutterbuck, chairman, said he was "quite pleased" with the results "given the recessionary background against which they have been achieved."

He noted that overall sales of the group's own ales grew by 22 per cent over the period. In particular, sales of Old Speckled Hen had risen by well over 200 per cent, and represented 20 per cent of total production.

Under the trading agreement with Bass, the UK's largest brewer, Old Speckled Hen will be distributed to selected managed houses in the south east and Midlands. In return Morland will stock draught Bass as a guest ale.

Morland already has trading agreements for Old Speckled hen with Whitbread, Courage, Adnams, Charles Wells, Everards, Fullers and Marstons. Free trade volume, including wholesalers, grew by 48 per cent.

The group's retail division increased turnover by 22 per cent, with food sales increasingly important.

Meanwhile, the 101 pubs acquired from Courage have been integrated and are trading well, while the 72 pubs purchased last year from Inntrepreneur Estates made a first time contribution. Moorland's shares closed up 2p at 500p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Apollo Metals	int	1.2	July 12	1.15	-	3.45
Babcock Intl	fin	1.1	Aug 27	1.9	2.1	3.15
City London PR §	fin	2.35	July 23	2.14	3.5	3.18
Davenport Vernon	int	1.5	Aug 3	1.5	-	4
Dobson Park	int	1.2	Aug 9	1.9	-	5.75
Greyfriars Trust	int	0.5	June 30	2	-	6
Jackson Group	fin	1	July 12	1	1.5	2
Macdonald Martin	fin	6.6	July 30	6.6	8.8	8.8
Mercury Asset	fin	12	July 1	8.9	15	11.5
Mid Kent	fin	5.75	July 20	5	10.5	9.5
Morland	int	2.78	July 7	2.42	-	8.4
National Power	fin	1.2	Aug 12	6.1	10.6	9.1
Smart (J)	int	2.3	July 12	2.3	-	8.5
Southnews §	fin	1.4	Aug 6	1	2.1	1.5
South West Water	fin	15.9	Sept 1	14.6	23.7	21.7
Warburg (SG)	fin	13.75	July 1	12.75	19	18

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Thorntons to restructure French business

By Roland Rudd

THE DETERIORATING French economy has forced Thorntons, the chocolate maker and retailer, to restructure its French business which is expected to make a loss of £1.8m for the year ending June 26.

In March, Thorntons said it hoped that losses from its subsidiary might be less than the previous year's £750,000 deficit.

Mr John Thornton, chairman and chief executive, whose family owns 48 per cent of the shares, said losses had been far worse than anticipated because of the severity of the downturn in France.

The company is to dispose of 25 of its 60 sites and has appointed Mr John Coyle, a main board director, as managing director for European operations.

As a result of this, the company is anticipating an exceptional charge of up to £7.75m.

In addition, £2.5m previously written off directly to reserves at the time of the acquisition of the French subsidiary at the end of 1989 will also be charged to the profit and loss account.

Last year the company made pre-tax profits of £9.2m. Mr Thornton said that while the restructuring would adversely affect this year's profits, he had decided that it was better "to face up to the problem now than let it get worse".

Sales in France for the half year to January 9 rose to £5.3m (£4.6m). Interest payments increased to £650,000 (£478,000) with net borrowings at the half year of £4.8m.

The group has suffered because of relatively high French interest rates.

Mid Kent falls 14% after reorganisation

Reorganisation costs and lower interest received left pre-tax profits at Mid Kent Holdings, the water company, down 14 per cent at £6.17m for the year to March 31, against £7.21m.

Turnover was higher at £31.1m (£29.1m). The pre-tax figure was struck after reorganisation costs of £2.06m (£1.06m) and net interest received of £399,000 (£1.15m).

Earnings per share were 26.5p (31.7p) and a proposed final dividend of 5.75p makes a total of 10.5p (9.5p).

Mr Jeremy Leigh Pemberton, chairman, said the company was still coping with the effects of the recession and drought.

There were problems meeting expected demand while respecting the environment and the options were becoming more complex and getting a higher social and political profile.

Smart shares hit by profit warning

Shares in J Smart (Contractors) were marked down 15p to 205p yesterday as the company warned of a substantial reduction in profit for the year ending July 31 1993.

Although the volume of work in hand in contracting was markedly up on last year, margins had been further eroded and were now at an all-time low, the directors said.

They reported a drop from £1.58m to £1.04m in pre-tax profit for the opening half, and did not expect the figure for the current six months to be substantially different.

Turnover fell 17 per cent to £5.9m (£7.1m) in the six months ended January 31, and for the year was not expected to match last time's £14m.

Earnings came to 6.91p (10.5p). The interim dividend is held at 2.3p, again costing £116,000 as shareholders owning some 50 per cent of the capital waived their rights.

Conclusions on junior market set for autumn

By Peggy Hollinger

THE STOCK Exchange working party investigating prospects for a junior market is expected to present its conclusions this autumn.

Following yesterday's initial meeting of the committee's 17 members, it appears increasingly likely that some form of defined market for younger companies will be recommended. It is also thought that the body is broadly in favour of running a market under the aegis of the Stock Exchange.

Mr Ian Macpherson, Stock Exchange board member and chairman of the working party, said sub-committees had been formed to examine foreign markets and the legal implications of any changes and were expected to report back in about a month.

The final meeting in September would be able to present "some pretty reasonable reportable conclusions."

The working party would investigate the areas and composition of demand for a junior market as well as examine legislative obstacles to a less regulated environment.

Referring to the complaint that the regulatory environment imposed disproportionately heavy costs on smaller companies, Mr Macpherson said: "There must be a simpler route."

However, any conclusion would have to balance the need to "provide the legendary Aunt Agatha with risk assessment information and at the same time allow companies to come to the market-place."

Uphill struggle before fortunes reversed

Kevin Done details the problems at Ford of Britain despite a cut in losses

FORD OF Britain buckled again last year under the heavy pressure of the recession and the attack of its main rivals on its traditional UK market leadership.

The pre-tax loss of £353m for the 1992 year followed losses of £335m in 1991 and £274m in 1990, both of which were exaggerated by the inclusion of Jaguar, the heavily loss-making luxury car operations.

Even without Jaguar, which was acquired in late 1989 and transferred to the Ford US parent company in November 1991, the decline in Ford of Britain's core operations has been precipitous.

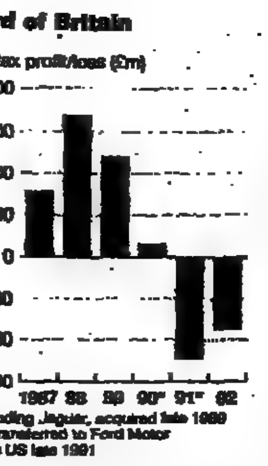
Excluding Jaguar left 1991's loss at £487m and profits of £61m in 1990. In 1989 profits had been £483m after a record profit of £603m in 1988.

The operating loss last year, including financial services, totalled £201m, after restructuring costs of £68m relating to the automotive side, against £313m, excluding Jaguar. Financial services operating profit was £36m, compared with £24m.

The harsh grinding of gears at Ford has contrasted sharply with the resurgent fortunes in Britain of its arch US rival, General Motors.

Vauxhall, GM's UK subsidiary, more than doubled operating profits last year from £128m to a record £269m, while pre-tax profits rose by 69 per cent to £224m (£133m). It achieved record production at its two assembly plants with rising exports and a record share of the UK new car market.

The Vauxhall workforce has remained almost unchanged at about 11,000 in the last five years, while vehicle output has jumped from 206,000 in 1988 to 302,000 last year.



*Excluding Jaguar, acquired late 1989 and transferred to Ford Motor of the US late 1991

By contrast Ford, the UK operations of which are far more extensive than GM's, has been caught up in a turmoil of recession and restructuring. It has been apparently unable, until recent months, to cope with the magnitude of the whirlwind which has engulfed it.

UK demand for new cars has fallen sharply during the recession. Ford's performance has been further undermined by a continuing erosion of its share of this contracting market.

While the overall UK new car market has fallen by 31 per cent since 1989, Ford's share has fallen from 26.5 per cent to 22.2 per cent. Its share peaked at 30.9 per cent in 1981.

Ford new car registrations have fallen by 42 per cent since 1989, from 608,617 to 353,339 last year, with an 8.4 per cent decline last year in a market that was almost unchanged at 1.59m.

More importantly, it has suffered a collapse in its net margins during the recession under the impact of very heavy marketing costs in the form of discounts and other financial incentives to try to support its sagging sales.

Marketing costs, which jumped to a horrendous 24 per cent of revenues in 1991 from 14 per cent in 1990, were still above 20 per cent in 1992.

"If we had been able to sell vehicles at regular prices as we have done historically we would have been in much better shape. These are the lowest net margins we have experienced in history," said Mr Bill Brooks, finance director.

Exchange rate losses of £100m added severely to the company's problems last year, said Mr Brooks, with the growing weakness of sterling in 1992 adding to the already high costs of imported vehicles and components from continental Europe. Ford of Britain's trade balance has been in deficit since 1981.

Last year's losses were compounded by assembly plants being forced to work at only 62 per cent of capacity.

In response to lower-than-expected sales and in order to reduce excessive stocks the company was forced repeatedly last year to resort to short-time working. It cut a total of 214 shifts at its three assembly plants at Dagenham (Fiesta), Halewood (Escort/Orion) and Southampton (Transit vans).

The Southampton plant stood idle for about nine weeks, with the loss of 89 shifts, while the Dagenham plant in Essex was forced to halt assembly for 5¼ weeks (56 shifts) and the Halewood plant on Merseyside being idle for seven weeks (69 shifts).

Ian McAllister: significant improvements in productivity

Car production fell by 11 per cent to 302,784 (339,182), while commercial vehicle output rose by 28 per cent to 144,291, leaving total vehicle production static at 447,075 (451,996).

Ford finally took drastic action to reduce its manned capacity in November last year as part of a dramatic restructuring of the whole of the loss-making Ford of Europe operations.

The workforce of the core Ford of Britain activities, excluding Jaguar and the former Ford New Holland tractor operations which were both disposed of in 1991, was cut last year by 5,000 to 35,300 at the end of 1992. It has fallen further in the early months of this year.

Expenditure on research and development in the UK was virtually unchanged last year at £239m (£236m). But its capital expenditure has fallen sharply from a peak of £669m in 1990, when it was investing for the new generation Escort/Orion at Halewood, to £386m in 1991 and £241m in 1992.

However, there were still some bright spots in the gloom last year.

Since last September's devaluation of sterling total unit production costs have been lower at Ford's UK plants than in Germany, said Mr Brooks, although production of the Fiesta small car was still cheaper in Spain.

According to Mr Ian McAllister, Ford of Britain chairman, significant improvements in productivity were achieved in 1992 led by a 25 per cent productivity gain at Dagenham.

The improvement has narrowed the previously yawning performance gap between Dagenham and Cologne, Germany in the assembly of the Fiesta. In 1986 Ford required almost twice the number of hours to build a Fiesta in Dagenham compared with Cologne. The gap was closed to only 27 per cent more in 1992, said Mr Brooks, and had narrowed further this year.

The improvements at the UK plants had stemmed from "changed working practices, a focus on core activities, the extension of integrated manufacturing teams, and the implementation of progressive agreements with trade unions," said Mr McAllister.

Ford has finally taken drastic actions to staunch its losses in the UK, but with its rivals, including the newly-arrived Japanese producers, still eating into its market share, it faces an uphill struggle to regain the record profits of the 1980s.

Davenport Vernon to raise £6.4m for expansion

WITH ITS interim figures, which show an 11 per cent increase in pre-tax profits, Davenport Vernon is calling for £6.4m net to continue its expansion and reduce gearing.

Shareholders in this multi-franchised motor dealer are offered 5.36m shares on a 2-for-5 basis at 125p each. Yesterday the shares fell 5p to 142p.

Mr Ralph Denne, chairman, said the group had expanded rapidly since the beginning of 1992 and now operated from 22 dealerships. The new operations were progressing well.

There had been "particularly encouraging" results from two of the three Nissan outlets. There were still opportunities to make additional acquisitions at good value and a number of proposals were being reviewed, he said.

For the six months ended March 31 1993 turnover rose from £50.7m to £69.5m, to which acquisition and new developments contributed £2.48m (£540,000). Pre-tax profit came to £895,000 (£805,000).

Mr Denne said new car sales rose by 29.7 per cent, with existing businesses accounting for 17 per cent of that. Improvement in earnings also came from used cars and generally better operating standards.

Earnings per share worked through at 4.4p (4.1p) and the interim dividend is again 1.5p.

At March 31 borrowings were £11.9m, excluding new vehicle stocking finance, for gearing of 56 per cent.

Directors and certain other shareholders are selling their rights to subscribe for 53.7 per cent of the issue. NatWest Wood Mackenzie, the underwriter, will find institutional places for them.

Greyfriars net asset value falls to 26.87p

Lower asset value, reduced income and a cut in the interim dividend are reported by Greyfriars Investment Company.

At March 31 1993 net assets had fallen from £3.11m to £1.88m for a per share value of 26.87p (44.44p).

Earnings per share were 0.37p (3.12p) and the interim dividend is 0.5p (2p).

THE PROPERTY MARKET

Vanessa Houlder on a forum designed to foster a better understanding of property finance

Building bridges

Next week sees the formal launch of the Association of Property Bankers, a new group set up to consider and promote issues involved in property lending.

The origins of the association date back to December 1991 when a handful of property bankers decided to pool their views and lobby on issues such as environmental legislation and property valuations.

The APB is embarking on a series of meetings and talks, which start next week with a lecture by Mr Pen Kent, a director of the Bank of England, about the future of property finance. The aim is to "foster a better understanding of property finance and its techniques among all those interested in commercial property finance".

"We are trying to form a bridge between the property and banking worlds," said Mr Richard Lovell, manager of property finance at the Industrial Bank of Japan and the association's president. "We are trying to develop a philosophy of good property banking."

Any consideration of these issues is likely to involve an examination of what went wrong in the late 1980s – the spectacular increase in bank lending to the UK property industry, which fuelled runaway increases in property prices and a period of buoyant building.

Even with hindsight, the answers to these questions are not straightforward. Bankers' assessments of the industry's collective mistakes include the following:

● Too much money flooded into the property market and the taps were not turned off soon enough. The number of banks lending to property expanded from about 20 to some 150 throughout the 1980s, largely the result of financial deregulation in the UK; the globalisation of the banking sector; and the banks' loss of large corporate business to the commercial paper and bond markets.

The result of this intense competition was that banks took increased risks on poorer quality business, at the same time as lending margins narrowed. According to Mr Lovell, there is a need for a clearer appreciation of risk. "If risk is being incorrectly priced you should step out of the market," he said.

'We are trying to form a bridge between the property and banking worlds'

● Bankers were not sufficiently aware of the extent of lending to particular parts of the market. Although bankers are aware of their immediate competitors and the overall statistics for property lending, they do not have the means to analyse lending to particular markets or sub-markets.

● Bankers were misled by the large demand for their loans and not sufficiently concerned about how their loans would be repaid. The fact that institutions had become disillusioned with property and were unwilling to buy new developments on completion was not considered thoroughly.

● Bankers were frequently willing to lend on generous terms even when the developments were in fringe areas with little certainty of attracting tenants. "In any other area of business where you had risks of that magnitude, they would be financed by equity," said Mr Morris of CIBC.

● The traditional formula for property lending, whereby the ratio of loan to equity was typically 70:30, was often relaxed, sometimes to a point where banks were prepared to lend the total value of a project.

Some critics argue that this approach to lending is fundamentally flawed. Bankers overemphasised the importance of an asset's value, instead of concentrating on income flow and the financial security of a tenant's covenant.

"Everybody thought that bricks and concrete had an intrinsic value," said Mr Graham Morris, of CIBC, the Canadian Bank, and APB's treasurer. "What we lost sight of was that the real fount of value for property relies on cash flow."

● Commercial mortgage indemnities, in which banks insured against falling property values, were wrongly considered to be a guarantee against loans turning sour. Some lenders eventually discovered problems in the small print; others found they would only get paid when the property was sold. But this has proved difficult given the state of the market.

● Bankers increased their risks by lending against individual properties, sometimes on a non-recourse basis which gave them no redress to the parent company if the project failed to meet early expectations. Some bankers criticise this practice in the belief that lending to individual properties is inherently risky; banks should reduce their risk by lending to companies which own a portfolio of properties.

'We are nowhere near arrogant enough to think we can prevent another crash'

● Bankers sometimes exhibited an overly simplistic approach to analysing the property market. Bankers were too reliant on property valuations, which are merely snap-shots of value at a particular time, and failed to adequately assess the prospects for a property over several years.

Likewise, banks tend to be attracted to property lending when the market is relatively straightforward. Since this is usually when values are rising strongly, it can prove a dangerous time to lend.

● Bankers are rarely prepared to take a counter-cyclical approach to property lending. Most appear to make loans in the upswing of the property cycle and withdraw when the market is near the bottom. Most banks have withdrawn from property lending in the past few years. An estimated 40 banks remain and these tend to be highly conservative in their lending policy.

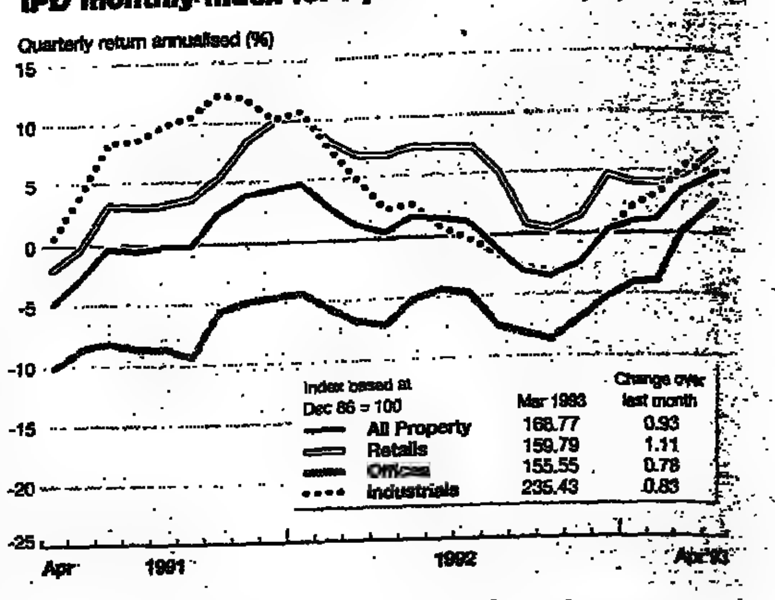
Part of the reason for the banks' withdrawal from property lending is that they are under pressure to meet international standards on capital adequacy. But an equally important factor is that banks still suffer from deep psychological scars from the huge losses they incurred on property lending. "We have been shell-shocked by the enormity of the problems that have hit us," said Mr Morris.

As the postmortem of the 1989-93 property crash gets under way, several lessons will doubtless emerge. But it is salutary to recall that bankers of the late-1970s also thought they had learned from the property crash earlier in that decade and that those mistakes would not be repeated. History may not repeat itself, but it would be rash to think that property booms and busts are a thing of the past.

This point is accepted by the founders of the APB. "We know the property market is a cyclical business. We don't think we can apply an iron to the cycles and say no more cycles," said Mr Morris.

Mr Lovell agrees: "We are nowhere near arrogant enough to think we can prevent another crash."

IPD monthly index for April



More hopeful signs

The commercial property market showed further signs of tentative recovery in April, with the All Properties total return reaching 0.6 per cent for the month, according to the Investment Property Databank, a research group.

Although rental values continued to fall, yields fell slightly in all sectors, offering perhaps the first real sign of improved investor confidence, it said.

The All Properties equivalent yield shifted by 0.04 per cent to 10 per cent. Capital values dropped by 0.2 percentage points, the lowest monthly fall this year.

The year-on-year measures showed ever declining rental values but slowly improving capital values. Rental value growth for the year to April dropped to -10.3 per cent from -9.8 per cent, while the rate of capital depreciation was cut by 0.3 per cent of a point to -7.7 per cent.

The retail sector was the best performing sector in April, with a 0.7 per cent return. Capital values stabilised despite the continued decline in shop rental values.

The office sector return was unchanged at 0.5 per cent. Yields shortened by more than half a percentage point to 10.3 per cent. The industrial sector suffered a -1.5 per cent decline in rental values.

LEGAL NOTICES

PEOPLES JEWELLERS LIMITED
NOTICE TO CREDITORS

TO ALL PERSONS OR ENTITIES WITH CLAIMS AGAINST PEOPLES JEWELLERS LIMITED: By order of the Ontario Court of Justice (General Division)(the "Court") dated May 10, 1993 (the "Order"), People Jewellers Limited ("Peoples") was authorized to seek approval of a Plan of Arrangement and Compromise dated April 21, 1993, pursuant to Section 182 of the *Business Corporations Act* (Ontario) and the *Companies' Creditors Arrangement Act* (Canada) (the "Plan") in the manner set forth in the Order. The Order authorizes Peoples to hold meetings of creditors on one or more dates during the period between June 28 and July 9, 1993 to vote on the Plan dated April 21, 1993, as such Plan may be amended prior to or at such meetings.

PLEASE TAKE NOTICE that Peoples has sent to all creditors known to it a voting claim setting out the details of the claim that Peoples proposes to recognize for voting purposes (the "Voting Claim"). Any person who does not receive a Voting Claim from Peoples and considers that he or she has a claim (as defined below) against Peoples should contact Peoples immediately at the address below and obtain a copy of the Notice of Objection which must be submitted to Peoples at the address below on or prior to June 2, 1993 (unless otherwise agreed to by Peoples) in order to establish a claim. Upon receipt by Peoples of a properly completed Notice of Objection, Peoples will determine the amount of such claim, which amount shall be the claimant's claim recognized for voting purposes, and advise the claimant of this amount prior to June 9, 1993. In connection with this advice to the claimant, Peoples will advise the claimant of the procedure by which its determination of the amount of the claim may be disputed, failing which the amount determined by Peoples as the recognized claim for voting purposes shall become the claimant's proven claim for purposes of distribution under the Plan.

All enquiries with respect to the matters set out in this notice should be made to the following address:

Peoples Jewellers Limited
c/o Ernst & Young Inc.
Ernst & Young Tower
222 Bay Street, 22nd Floor
P.O. Box 251
Toronto-Dominion Centre
Toronto, Ontario
CANADA M5K 1J7
Telecopier No: (416) 943-3300
Attention: Harold Reiter

As used herein, the term "claim" includes any right of any person against Peoples in connection with any indebtedness, liability or obligation of any kind of Peoples whether or not reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, unsecured, present, future, known, unknown, by guarantee, by surety or otherwise and whether or not such a right is executory in nature, including, without limitation, the right or ability of any person to advance a claim for contribution or indemnity or otherwise with respect to any matter, action, cause or chose in action whether existing at present or commenced in the future based in whole or in part on facts which exist prior to or at the time of receipt of the final order of the Court approving the Plan.

PLEASE TAKE FURTHER NOTICE that if you fail to submit a Notice of Objection in the manner described above, your claim will be extinguished on the date the Plan is implemented unless otherwise ordered by the Court or agreed upon by Peoples, or unless the value of your claim is fixed in accordance with the Plan.

DATED: Toronto, Ontario, May 25, 1993
PEOPLES JEWELLERS LIMITED

TO ALL CREDITORS, EQUITY HOLDERS AND OTHER PARTIES-IN-INTEREST OF MCORP, MCORP FINANCIAL, INC., AND MCORP MANAGEMENT.

UNITED STATES DISTRICT COURT — SOUTHERN DISTRICT OF TEXAS

IN RE:
MCORP FINANCIAL, INC., MCORP MANAGEMENT, and MCORP
Debtors.
CIVIL ACTION H-93-395

NOTICE OF APPROVAL OF THE DISCLOSURE STATEMENT ABOUT THE FIRST JOINT CHAPTER 11 PLANS FOR MCORP, MCORP FINANCIAL, INC., AND MCORP MANAGEMENT, CONFIRMATION HEARING, AND ADMINISTRATIVE BAR DATE

TO ALL CREDITORS, EQUITY HOLDERS, AND OTHER PARTIES-IN-INTEREST:

On May 18, 1993, the Disclosure Statement under Section 1125 of the Bankruptcy Code about the First Joint Chapter 11 Plans for MCorp, MCorp Financial, Inc., and MCorp Management, proposed by some senior note claim holders, the debtors, and the unsecured creditors' committee was approved by the district court.

The district court set these deadlines in connection with confirmation of the joint plans:

1. May 20, 1993, is the record date for determining the holders of stock, bonds, debentures, notes, and other securities entitled to receive the Solicitation Package under Bankruptcy Rule 3017(d).
2. June 1, 1993, is the last day for a creditor whose claim is disputed to file a motion under Bankruptcy Rule 3018(a) to have its claim temporarily allowed for voting purposes.
3. June 22, 1993, at 5:00 p.m., central daylight time, is the last day for filing and serving written objections to confirmation of the joint plans under Rule 3020(b)(1). All written objections must be filed with the court with a copy delivered to:

Melanie Gray, Wendy K. Laubach, Weil, Gotshal & Manges, 700 Louisiana, Ste. 1600, Houston, Texas 77002-2784
Robert J. Rosenberg, Roman Dermer, Latham & Watkins, 885 Third Avenue, Ste. 1000, New York, New York 10022-4068
Mitchell A. Seider, Sheinfeld, Maley & Kay, 3700 First City Tower, Houston, Texas 77002-6760

Objections not timely filed will not be considered by the court.

4. By June 28, 1993, at 5:00 p.m., central daylight time, creditors voting to accept or reject the joint plans must properly complete their ballots and deliver them to

MCorp Ballot Tabulation Center
Hill and Knowlton, Inc.
P.O. Box 5508, Grand Central Station
New York, New York 10163-5508

Only ballots filed by that time will be accepted for the purpose of confirmation.

5. A hearing on confirmation of the joint plans before United States District Judge Lynn N. Hughes will begin:

Wednesday, July 7, 1993
9:00 a.m., Central Daylight Time
Courtroom 11-C, Eleventh Floor
United States Court House
515 Rusk Avenue
Houston, Texas 77002.

The confirmation hearing may be adjourned from time to time by the court without further notice except for an announcement made at the hearing.

6. July 7, 1993, at 5:00 p.m., central daylight time, is the last day for filing and serving administrative claims, other than administrative claims incurred post petition in the ordinary course of business, administrative claims of professionals or indenture trustees, and administrative claims arising from indemnity obligations. These claims must be in writing, filed with the court, and served on the parties in paragraph 3.
7. July 22, 1993, at 5:00 p.m., central daylight time, is the last day for filing administrative claims resulting from the debtors' indemnity obligations arising out of acts or omissions after the petition date. These claims must be in writing, filed with the court, and served on the parties in paragraph 3.

CONFIRMATION OF THE DEBTORS' PLANS WILL PREVENT HOLDERS OF ADMINISTRATIVE CLAIMS FROM ASSERTING THEM AGAINST THE DEBTORS, THE LIQUIDATING TRUSTS, OR THEIR PROPERTY, IF THEY ARE REQUIRED TO FILE AND SERVE A REQUEST FOR PAYMENT AND DO NOT DO IT BY THE ADMINISTRATIVE BAR DATES.

Signed on May 24, 1993, at Houston Texas

Lynn N. Hughes
United States District Judge

IF YOU HAVE QUESTIONS OR IF YOU NEED COPIES OF THE BALLOTS OR OTHER MATERIALS, PLEASE CONTACT THE PROPONENTS' SOLICITATION AGENT:

Hill and Knowlton, Inc.
420 Lexington Avenue
New York, New York 10017
(212) 210-8050

COMPANY NOTICES

THE ROYAL BANK OF CANADA
U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 28th May, 1993 to 30th June, 1993 has been fixed at 3¼% per annum. On 30th June, 1993 interest of U.S. $2.978166 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th June, 1993 will be determined on 28th June, 1993.

Agent Bank and Principal Paying Agent
ROYAL BANK OF CANADA EUROPE LIMITED

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Notice is hereby given that for the Interest Period 28th May, 1993 to 31st August, 1993, a period of 95 days, the Rate of Interest will be 5.25 per cent per annum. The Interest Amount payable on the Interest Payment Date 31st August, 1993 will be US$3,463.54 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets International

هكذا من الأصل

JOBS: Readers vote overwhelmingly in favour of encouraging students to work on word-processors

Pen-pushing largely written off

WOULD readers who were not in the congregation four weeks ago, kindly pardon the Jobs column while it says something to one Shirley Anderson then present? Thank you. OK then, here goes:

What? *Me?* Rude? Rubbish!

Which said, I owe the innocent majority of you an explanation of what provoked the outburst.

Ms Anderson is one of several dozen who responded to my sermon on the day concerned, which was about getting the evil eye from a conference audience at Nottingham University. My offence was to question whether higher educational institutions are right to deter the use of word-processors by their students, pressing them to write their essays and such in long-hand.

That strikes me as mistaken. No doubt schools let alone universities should ensure their charges are good enough at handwriting to use it in framing the short communications for which it remains a necessary skill. But it is a different matter to require students already at degree level to churn out thousands of words by hand. Pen-pushing at such length is now an obsolescent ability, and students would be better occupied strumming the keyboards they will increasingly have to use in earning a living.

Shirley Anderson dissents. In particular, she suggests that I earned the evil eye by behaving rudely: "You effectively told your audience that their point of view was so old-fashioned it wasn't worth discussing."

That is hard to accept. While I might have been controversial, I find it no easier to see myself as being rude than academics would to view themselves as clinging to convenient customs regardless of their students' best interests.

But if it so happened that I *seemed* rude, then it is a mercy that the conference audience isn't here to see the bulk of readers' replies on the issue. For of the 74 responses, 69 agree that the use of word-processors should be positively encouraged by higher educational institutions, often accusing same of unworthy motives in resisting the change.

True, upwards of 30 of you think the switch should not be immediate. The reason given is typically that, since protracted pen-pushing requires practice, students should be obliged to keep their fists in by handwriting essays until such time as word-processors can be used in taking university exams.

Even so, approaching 20 others see no reason why examinations can't be done on word-processors right now. "Admittedly it's a development that would cost money," says one. "But even if it couldn't be found by disposing of un-productive staff, at least heads of universities could get off their bottoms and trek round computer companies. I'll bet they could be levered into offering good deals."

To my eyes, that proposal looks well worth a try. After all, there would be no need for universities to supply hardware to all of their students – only to those who, not having their own, still wished to use one in preference to a pen.

Nor do I see sense in the claim made by two of the dissenters that making it optional to use a word-processor in examinations would be unconscionable, because it would discriminate unfairly against students from families too poor to have one in the home.

I remember seeing a research report some time ago (though I sadly cannot lay my hands on it now) indicating that one of the factors most strongly linked with success in exams is clarity of handwriting... which helps to explain why some pukka schools train pupils to write a readable fist. Hence there's surely good reason for allowing those who've lost out on the pen to gain on a word-processor.

NOW to the table below, which looks to contain a worrying message for motor companies. As on previous occasions, it gives indicators of prevailing pay levels in City of London banks as revealed by Day Associates' latest survey based on data from 121 employers, and including 293 jobs from general manager to tea lady.

Since I have room for only 17 of them, anyone wanting more information will need to obtain the full report from Joe Clark of Day at Suite 2.31, 75 Whitechapel Rd, London E1 1DU; tel (0)71-375 1397, fax (0)71-375 1723. The price is £141 to concerns taking part in the survey, and £220 to others.

The table's first four columns of figures cover basic salaries. The lower quartile refers to the person a quarter way up from the foot of a ranking of all in the same type of job, the median to the person mid-way, and the upper quartile to the one a quarter down from the top. Then comes the average salary, followed by the percentage of it typically received as an added bonus.

Lastly come the percentages with a car, and its average price thereof – which suggest that in the City at least, cars are fast being withdrawn and replaced by allowances. Mr Clark reckons the typical allowance, at about a third of the price of the vehicle given up, is less than the benefit of keeping it. "But people I've talked to don't seem to mind," he says, "despite being bankers."

Michael Dixon

SALARIES, BONUSES AND COMPANY CARS IN CITY OF LONDON FINANCE SECTOR

Position	Lower quartile £	Median salary £	Upper quartile £	Average salary £	Avge bonus %	Coy car %	Avge price of car £
Corporate finance head	97,500	104,250	190,212	123,928	23.3	50	24,250
Head of swaps	75,000	100,000	130,800	115,270	37.7	80	16,750
Capital markets head	93,600	106,600	118,800	106,359	86.9	86	18,663
Fund management director	90,000	100,833	115,000	102,791	23.7	71	20,622
Eurobond trading head	85,000	100,000	137,500	102,201	55.2	80	19,910
Bond sales head	75,500	90,000	102,000	101,383	18.8	80	18,568
Equity trading head	70,000	85,250	127,000	92,186	5.2	50	21,300
Head of research	69,000	89,000	94,490	84,061	22.8	72	20,553
Private banking head	61,925	71,000	105,750	81,270	15.9	78	18,936
Money markets head	60,000	67,407	87,000	73,315	32.1	80	17,822
Chief fx dealer	62,000	72,000	85,000	73,087	32.2	76	17,072
Financial director	61,600	65,000	72,000	70,684	10.0	82	18,845
Legal services head	54,862	64,800	80,448	66,931	23.7	80	19,299
Personnel director	56,000	60,000	77,152	65,261	12.6	80	17,949
D-P director	52,144	58,000	66,982	60,221	10.7	67	18,012
Credit department manager	36,000	40,000	45,000	41,192	9.8	70	16,156
Customer services head	24,150	31,300	36,107	31,043	10.5	43	13,317

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- Developing internal relationships and communicating effectively, promoting compliance internally and managing sensitive issues tactfully and professionally.

The successful candidate will have had prior exposure to the regulatory environment either in an advisory capacity or directly. Rulebook familiarity is sought, as is the ability to market and assure compliance internally. He or she will ideally be a graduate and/or will have a relevant professional qualification.

If you are interested in this post, please forward your CV, quoting reference 2605, with current remuneration details, day and home contact numbers to James Forte, at the address below.

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This is an unusually demanding role and the selection criteria will therefore be exacting. Broad exposure in all areas in the Human Resource function is essential and this should have included significant exposure to the Middle East. You must have held senior responsibility for a substantial Human Resource function in a decentralized, results oriented environment in a major International Company for the last 5 years. You must have direct personal experience in manpower planning, recruitment and selection, training and development, job analysis/evaluation, performance appraisal, organization structure and design, payment system, employee relations and health, safety and welfare.

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JP Morgan Investment Management is an equal opportunity employer.

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FINANCIAL TIMES
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Loan Work Out Specialists for Poland

The Government of Poland has embarked on a comprehensive programme to restructure the balance sheets of the State Owned Commercial Banks (SOCBs). This has the goal of coping with bad debts in the portfolios of these banks in such a way as to maximise the chances of debt recovery while enabling, where possible, the debtor enterprises to achieve financial viability.

The British Government has agreed to assist Poland in this programme, known as the Enterprise and Bank Restructuring Programme (EBRP) by recruiting and financing experts to take part. Experts are needed to work both within the Polish Ministry of Finance, which is responsible for the EBRP, and within three of the SOCBs.

THE MINISTRY OF FINANCE

COMMERCIAL OR MERCHANT BANKER

You will advise the Ministry on the effectiveness of the banks' arrangements for carrying out the EBRP and to assist it in monitoring the banks' performance and in the dialogue between it and the banks. You may be called on to advise on particular cases of conciliation or arrangements with creditors, especially where the State itself is a significant creditor. Experience in western bank work-out activities and the ability to adapt that experience to the Polish context are essential; ability to speak Polish would be a considerable advantage.

CONSULTANT

You will assist the Monitoring Unit in its development of the database and reporting formats necessary for monitoring progress. You should have the necessary financial, analytical and computing skills, including the ability to design database systems, preferably in a Windows environment. Experience of working in, or for, a bank is desirable. Ability to speak Polish is not necessary.

STATE OWNED COMMERCIAL BANKS

Four experts are required in each of these three banks to work as members of staff in the Bad Loans Departments, which have been set up to "work-out" designated bad loans.

SENIOR DEBT "WORK-OUT" SPECIALIST

You will require considerable experience of negotiating loan work-outs involving multiple creditors and a variety of financial solutions including secondary debt training and debt equity conversions. This experience will probably have been gained within a commercial or merchant bank but may have been gained from within a debtor enterprise.

FINANCIAL ANALYST

You will require experience of relevant financial analysis and reporting procedures and good on-the-job-training ability.

PRODUCT MARKET SPECIALIST

You must be capable of advising on and improving debtor enterprises' plans for expanding or re-orientating their markets and products to enhance their financial prospects. Knowledge of current possibilities for trade with the former CMEA countries, as well as the west, is desirable. Familiarity with one or more of the textiles, chemical, electro-mechanical, electronics and timber industries will be an advantage.

ORGANISATION AND MANAGEMENT SPECIALIST

Assisting the bad loans department you will assess the suitability of debtors' management and structure, current or proposed, for the business plans which underly the proposals for the rearrangement of debts. You will also be expected to advise on the need for, and help to arrange, the introduction of additional expertise from outside the enterprises concerned.

The intention is that, if at all possible, at least one member of each team of four should be able to speak Polish. All should be willing and able to transfer their know how to their Polish colleagues.

GENERAL

All of the above posts will be for one year, with the option to extend to two years. All the assignments are full time, resident in Poland.

Remuneration will be subject to negotiation.

Applicants should be nationals of a European Community country or Commonwealth citizens with an established right of abode in the UK and the right to work in the UK and should be available to start work in Poland at an early date.

Applications are welcome from individuals, groups of individuals, companies willing to second staff or relevant organisations such as Enterprise Trusts.

Closing date for receipt of completed applications is 10 June 1993.

Those interested should write, enclosing a detailed curriculum vitae, to Mr B Roussin, Ref No AH354/BR/FT, Abercrombie House, Eaglesham Road, East Kilbride, Glasgow G75 8EA.

ODA is committed to a policy of equal opportunities and applications for these posts are sought from both men and women.

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Whilst English is the prevailing language, a working knowledge of Spanish would be a great advantage. However it is anticipated that the ideal candidate would rapidly achieve a working grasp of the necessary linguistic skills.

The appointment is based in Madrid and considerable international travel is envisaged. A substantial remuneration package will be available for the selected candidate. In the first instance apply in writing, with a copy of your CV to:

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Interested candidates should apply in writing, with full CV quoting reference RM 05/93 and indicating which vacancy they are applying for to: Lisa Jones, Director Human Resources, American Express Bank Ltd, PO Box 766, 60 Buckingham Palace Road, London SW1W 0RU. *Faxed applications will not be accepted.*

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The successful applicant will primarily take responsibility for the UK and the major European economies. This will involve analysing recent developments, preparing forecasts and assessing the implications for the financial markets, particularly fixed income and currencies. Views are presented through regular publications and through direct contact with fund managers and clients in London and overseas. Salary will be related to age and experience and will be in the £25,000 to £35,000 range with additional banking benefits.

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BNP

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Treasurer/Money Market Dealer

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Mr Daniel Wild
Head of Human Resources
Nomura Bank (Switzerland) Ltd.
Kasernenstr. 1
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Tel: 01/295 73 60

or

Mr E.G.M. Suer, General Manager
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ACCOUNTANCY COLUMN

An old axiom goes by the board in the boardroom

Jane Simms explains why finance directors without chartered backgrounds are making the running

THERE IS a new breed of finance director, whose CV reads something like this: graduation from Oxbridge, a couple of years in management consultancy, an MBA course at a good business school. They move through a series of jobs in blue chip companies to reach finance director of a sizeable quoted company by their early 40s, with a good chance of becoming chief executive of another within five years.

They all have one other thing in common: they are not accountants. There is a perceptible trend towards non-chartered accountant finance directors in the boardrooms of UK listed companies. Mr Michael Lawrence, finance director of Prudential and chairman of the Hundred Group of finance directors, says a quarter – and growing – of the group's members are business school graduates or management accountants, with the odd banker, treasurer or tax expert thrown in.

This trend seems to reflect both the increasing complexity of business and the broadening scope of the finance director's role. Institutional shareholdings have grown in recent years, the financial sector has become more complicated and fast moving, and the balance of emphasis in the finance director's job has shifted accordingly.

Reporting and control are as important as ever, but risk and transaction management, strategy and external relations have become just as crucial. The role has become more active, and an understanding of the markets, commercial flair and a gift for strategy have become prerequisites. Chartered accountants no longer hold the monopoly on such qualities. Indeed, some would argue they are at the opposite end of the commercial spectrum.

Mr Simon Duffy, finance director of Thorn EMI and not a chartered accountant, says: "The natural instinct of accountants is to say 'no', and they should instead be supporting good business decisions and finding ways of saying 'yes'."

Mr Martin Taylor, chief executive of Courtaulds Textiles, argues that accountants make good finance directors in that they have "a disciplined, rigorous, hard fact-based approach to business". But they make bad ones in the sense that "that's not the whole story, and it tends to divide things into accounting periods".

The continued encroachment of non-chartered accountant finance directors depends on three factors: whether the chartered accountancy institutes make their training more business-oriented; how far other training grounds – business schools, the Association of Corporate Treasurers and the Institute of Taxation, for example – take the initiative; and how the role of the finance director itself develops.

The first is unlikely: since 97 per cent of accountants do not become finance directors of public companies, there is little incentive for the institutes to change. Judging by experience in the US, the business schools and the treasurers will continue to weaken the stranglehold chartered accountants have traditionally had on the job. In the US, only a fraction of chief financial officers are certified public accountants – the nearest equivalent qualification.

As for the third, Mr Donald Macleod, a partner in the executive search company Korn/Ferry, echoes the views of many when he predicts that over the next five to 10 years the finance director will increasingly be the second-in-command to the chief executive.

Mr Andrew Harrison, finance director of Courtaulds Textiles till earlier this month, says: "There is no doubt that it is preferable for public company finance directors to be qualified accountants, because they spend so much time talking about accounting and finance. But the more senior you are and the bigger the company is, the content of the job changes. It becomes more commercial, more broad, more strategic, and more people-oriented. So it is possible for the right individual to do a good job without being an accountant."

Reporting and control are as important as ever, but risk and transaction management, strategy and external relations have become just as crucial

Harrison is himself not an accountant, which he sees as positive. "I can explain accounting issues to the City in non-jargon, layman's language," he says. "It does no harm talking about any problem from first principles and accounting doesn't always coincide with common sense."

But Harrison and the other non-qualified finance directors stress that a highly qualified team is an essential back-up. Most would not consider promoting a non-accountant as finance director of a subsidiary because of the lack of technical support in the divisions and because strategic skills are less of a requirement at that level.

It is not just that the finance director's role has widened. Accounting and treasury have become so much more complex that a good company accountant or treasurer needs to be a specialist technician. As a result, many companies have split the job below finance director in two, with a director of tax and treasury and a director of financial control.

Simon Duffy, who arrived at Thorn EMI via Harvard business school, Rothschilds merchant bank, Shell International, Bain, Consolidated Gold Fields and Guinness, says: "Unquestionably I am not as well positioned to make judgments on technical and accounting issues. I have to rely more on my staff for that. On the other hand I don't get bogged down in accounting detail, nor have any vested interests in accounting principles, so I am able to stand back and see what I want."

Nigel Whittaker, corporate affairs director at Kingfisher, points to Geoff Mulcahy, his chief executive, as the archetype of the new breed of finance director. Mulcahy was a Harvard MBA who became finance director of Woolworth Holdings (Kingfisher's previous name). James Kerr Muir, the new finance director, is also a Harvard MBA and was previously managing director of Tate & Lyle UK.

"A commercial upbringing is essential to the finance role we have here," says Whittaker. "We have plenty of very good accountants in the finance functions throughout the group so we need a broader base for the finance director. Having said that, when we recruited James we had an open mind about whether we wanted an accountant or not, but he was the right man for the job."

Kathleen O'Donovan, the audit partner from Price Waterhouse recruited by BTR last year, and Richard North, hired by Burton from Coopers & Lybrand in 1991, came straight from the profession. But most companies recruit finance directors from within industry. Operational experience is seen as vital. Indeed some finance directors hold a line job in addition to their functional role.

Many new accountant finance directors today may have had as much operational experience as the MBAs. And it is true that companies are more open-minded about the background of a new finance director. But selection revolves around the nature, experience, and qualities of the individuals rather than their training.

It used to be axiomatic that finance directors were qualified – preferably chartered – accountants. The pre-eminence of the qualification is now under threat to the extent it may even come to be seen as a disadvantage.

It may have taken the MBAs a little time to break through, as a result of the prejudices and conditioning of British business. But the old adage that the accountant finance directors have got where they are today despite, rather than because of, their training is ringing truer than ever. Only those accountants who can demonstrate a raft of other skills and qualities will be able to stand head to head with their non-qualified peers.

Jane Simms is editor of Financial Director

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Strategic Planning Manager

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The Rothmans Group is a highly profitable, cash generative company with a £6.5 billion turnover. The core businesses are tobacco and high value luxury goods where the company produces and markets international brand leaders. In recent years the company has seen substantial international profit growth.

The department is responsible for the long-term strategic planning of the Group's tobacco business. The role will be to provide input for, and assist in, the development of the strategic plan and the strategic planning processes. In monitoring performance against agreed plans, the job holder is required to recommend corrective or alternative strategies where necessary. The scope is worldwide and the successful candidate will work in conjunction with the Strategic Planning Director and have significant interface with senior international management.

The ideal applicant will have a finance or marketing background and strong commercial awareness. This should be coupled with the ability to interpret political, economic and demographic information. Experience is likely to have been gained in an international business arena or a blue chip domestic company. Essential criteria include a proven track record of success and the desire to gain further experience in a multi-national corporate environment.

For further information please contact Lucy Bennell or Mark Gilbert on 071 404 3155. Alternatively write, giving full details, to the address below. All enquiries will be treated in the strictest confidence. Any applications made directly to Rothmans will be forwarded to Alderwick Peachell & Partners.

Alderwick Peachell
& PARTNERS LTD

Alderwick Peachell & Partners Limited, Recruitment Consultants, 125 High Holborn, London WC1V 6QA. Tel: 071-404 3155. Fax: 071-404 0140.

Morgan & Banks

Finance Director - Flotation

Central London — *£75,000 + Options*

This is an exciting opportunity to join a Company which is planning a Public flotation. Its main interests are in the extraction of highly profitable natural resources and it has a strong international focus.

The Finance Director will report to the Chief Executive and will be responsible for ensuring that the financial disciplines and reporting procedures are implemented to the required standard for a Public company. Additionally, there will be a strong emphasis on establishing and building strong relationships with institutional investors and advisors. Naturally, the individual will be part of the main Board and accordingly will be required to provide strategic and financial expertise.

The successful candidate will be a Chartered Accountant and should have had previous Public company experience. Previous mining company experience preferred, but not essential. It is likely that he or she will be aged between 35 and 45, computer literate with an ability to get tasks completed. The individual should also have the confidence and interpersonal skills to be an outstanding communicator.

The remuneration package includes the chance to participate in the option scheme and the long term career opportunities are excellent.

For further information in the strictest confidence, please contact Raj Munde on 071-240 1040. If you prefer, send your résumé to: Ref. 9/1440, Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN.

Morgan & Banks
LONDON · WASHINGTON · SYDNEY · AUCKLAND

The Information Technology Office (ITO) is an Executive Office of the Inland Revenue employing 2,500 staff and a budgeted expenditure of £250 million per annum. Information Technology plays a vital role in the provision of a first-class service to tax payers and it is important that resources are deployed effectively.

That'll be your chief concern as Financial Controller in Telford. Providing a full financial planning, accounting and reporting service to ITO Senior Management and customers, reviewing progress against targets and managing the implementation of new systems if necessary.

You'll ensure cost centre managers are trained and have all the management information they need to control their budget. On a broader level, you'll ensure that our policies and information systems support good business management.

You must have a recognised accountancy qualification (CIPFA, CIMA, ICA or CACA), with previous experience as financial controller within a large commercial organisation operating standard costing systems and/or internal charging. Experience of defining IT requirements and implementing new systems would be an advantage.

This is a 3-year fixed term appointment, with the potential to be extended or made permanent.

For further details and an application form (to be returned by 16th June 1993) write to Recruitment & Assessment Services, Alencon Link, Basingstoke, Hants RG21 1JB, or tel. 0256 468551. Please quote reference B/1898.

Financial Controller

Range £35,000 - £40,000 based on experience.
Telford, Shropshire

Inland Revenue
THE *information technology* OFFICE

CORPORATE FINANCE HEAD

Required by Bruxelles based international investment Company with an impressive record of growth has plans to build on this success over the next few years.

The successful candidate will liaise with the Chief Executive and play an important role in the management and future development of the Group. Responsibility will be for all corporate financial management, taxation and treasury matters and together with the Chief Executive for relations with institutions worldwide.

Aged 38-55 candidates should be graduate Chartered Accountants with experience and a proven track record at Director level in an international company. A second European language would be an asset.

If you have these qualifications please send a full c.v., quoting ref: AK to:

Box No. B1090, Financial Times
One Southwark Bridge, London SE1 9HL

FINANCIAL CONTROLLER

WEMBLEY — **£30K + CAR**

Responsible to the Managing Director as a key member of the management team of the Television Studios and Facilities Division. Candidates should be computer literate, qualified accountants, with practical experience in an operating company who can take responsibility for setting up all aspects of this rapidly expanding business. Applications to C A Maxwell, Group Finance Director.

AVESCO PLC

Leaders in Multimedia and Broadcast television equipment and services.
Venture House, Davis Road, Chessington, Surrey, KT9 1TT.
Tel: 081 974 1234 Fax: 081 974 1622

Reebok

CAREER MATCH

Reebok International is a major global business and market leader in athletic footwear and apparel, dedicated to innovation, superior products and quality. The International and European headquarters is shortly moving to new offices at Stockley Park near Heathrow. The following challenging opportunities have been identified.

FINANCIAL/MANAGEMENT ACCOUNTANTS
£25,000–£30,000

SENIOR OPERATIONS ACCOUNTANT (Ref 171)
To introduce and maintain good accounting disciplines and financial controls over purchase, inventory and sale of product; invoicing, letters of credit and control of costs. An important aspect of this position is the liaison between the Finance function and Operations and the identification of problem areas.

BUSINESS PLANNING & CONTROL MANAGER (Ref 172)
To prepare yearly draft plans, quarterly forecasts and consolidate monthly results. This will entail preparing summaries and detailed analyses and onward transmission of consolidated results, forecasts and plans to the U.S. Head Office. The presentation and interpretation of results by month/quarter/half year and YTD with comparison with budgets and prior year's results will form a significant part of the job.

SENIOR FINANCIAL ACCOUNTANT (Ref 173)
Responsible for consolidation of monthly management accounts, year-end financial statement and tax disclosure information and the preparation of inventory/receivables analysis, inventory forecasting and financial commentaries.

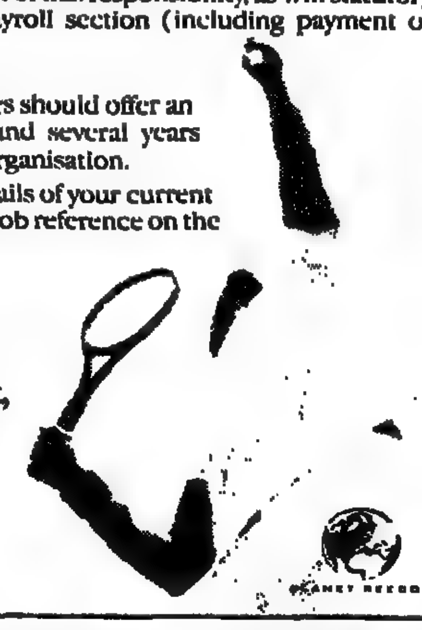
FINANCIAL PLANNING & ANALYSIS MANAGER (Ref 174)
Responsible for the preparation of sales reports and sales order analysis, including investigation of variancies between anticipated factory costs and actuals. Also will prepare reports for the International marketing group on competitor price analysis, European pricing within Reebok, and comparison of products sold by European subsidiaries.

SENIOR MANAGEMENT ACCOUNTANT (Ref 175)
To prepare monthly accounts and produce cost centre reports on actual and YTD basis; analyse results and ensure that computer systems are functioning correctly. The preparation of company forecasts and monitoring of sales and margin plans will form an important part of this responsibility, as will statutory tax audits and management of the payroll section (including payment of offshore salaries).

For all of these appointments, candidates should offer an appropriate accounting qualification and several years experience in a similar international organisation.

Please write, enclosing a full CV and details of your current remuneration, quoting the appropriate job reference on the envelope, to:

St. James's Management Recruitment,
33 St. James's Street,
London
SW1A 1HU.



FINANCE DIRECTOR
Environmental Contracting

North London — £40,000

Our client, a £40 million turnover Plc associated with a major quoted group, has expanded dramatically over the last few years. This has brought opportunities and challenges, with one of your first tasks being to ensure that control systems match the company's increased size and complexity.

Reporting to the Managing Director, you will be fully qualified and have experience in contracting, preferably with local authorities and utilities. You must be able to assist the board with the strategic development of the business, but at the same time have a hands-on approach and the strength of personality to make your views felt amongst the strong-willed management team.

In return you can expect a good salary package and excellent career prospects both in the company and elsewhere in the group.

If you feel you meet the challenges outlined above, please write with full details quoting reference H 180 to David Clarke, Hogg Clarke International, 44 Holly Walk, Leamington Spa, CV32 4HY.

HOGG CLARKE INTERNATIONAL
HUMAN RESOURCE CONSULTANTS
UNITED KINGDOM · USA · FRANCE · GERMANY · SPAIN

European Financial Controller

GRENOBLE

c. £65,000 + bonus + benefits

Our client is a US multinational firm operating in the broad fields of medical supplies and diagnostic equipment. These are sold variously to industry professionals and to the public, over the counter. The company has a long-term goal of growth through globalisation taking worldwide revenues to $2.5 billion. The Diagnostic Division, headquartered in South East France, is currently seeking a European Controller to head up its finance function.

Reporting primarily to the Division President and functionally to the Group Controller, you will be responsible for the co-ordination of management reporting together with general financial planning and analysis. Internal controls and budgeting will also enter your remit. In addition to these standard responsibilities, ad hoc projects will materialise on a regular basis. It will be your brief to achieve the deadlines whilst completing the projects.

You must be:

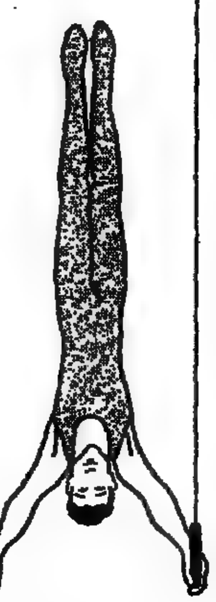
- a graduate chartered accountant or equivalent
- experienced to a minimum of 10 years in a finance role within a multinational manufacturing environment (capital equipment background would be a plus)
- aged between 35 and 45 years
- fluent in English (other European language ability is preferred but not essential)
- well-versed in the use of management information systems.

Additionally, you should be able to balance leadership skills with a team spirit, persuasion with diplomacy, self-discipline with flexibility. The environment is varied and constantly evolving. You must be able to prioritise and delegate accordingly. As right-hand man to the Division President, you will have front-line exposure to profit and loss issues. As a result, the potential for a subsequent move into general management is excellent.

Interested candidates should write in confidence, quoting ref. 9321 to:
Nicholson International France, (Search and Selection Consultants),
72 rue du Faubourg St. Honoré, 75008 Paris, France;
or call Rod Bailey for an initial discussion on 010 33 1 40 07 86 45.

NICHOLSON INTERNATIONAL France

Balancing in a Good Cause



Part-time Financial Controller

FOR HOMELESS INTERNATIONAL COVENTRY

Homeless International is an agency which supports social housing projects in the most deprived areas of the world. As we grow, the need is for skills that we cannot afford to purchase at the market rate. If you are an experienced financial manager with a good general knowledge of government, legal issues and general management, we offer job satisfaction, moderate remuneration, flexible working hours and the opportunity to join a worthwhile financial circus.

Information and application forms: Homeless International, 5 The Butts, Coventry CV1 3GH. Tel: (0203) 632802. Fax: (0203) 632911.

GROUP FINANCE DIRECTOR

(Based in Swanley, Kent)

Competitive Salary

- Enjoy being centrally involved in the entrepreneurial activities of this successful enterprise.
- Respond to the challenge of providing leadership for a diverse group of people
- As a Board member play a key part in the future development of the Group

United House Group consists of two major companies. One is an established building contractor involved in new build, refurbishment, design and build for residential, commercial and industrial sectors. The other arm of the business is concerned with the import and distribution of copper tubing and a gas central heating boiler. The Group employs 450 people and has a turnover of £45m. United House has performed well throughout its existence because of its commitment to high service standards, a policy of continual operational improvement and a strong commercial flair.

To fully take advantage of the opportunities of its next phase of growth it has been decided to recruit a Group Finance Director. This is a new position, reporting to the Group Managing Director, and as such there is considerable scope for impacting on the future development of the Group. In addition to the normal responsibilities associated with such a role the incumbent will be expected to play a central part in evaluating potential acquisitions and joint ventures, vetting potential property development schemes and maintaining an overview of appropriate currency and commodity markets.

The successful candidate will be a Chartered accountant with a minimum of 10 years post qualification experience. It is essential that the candidate has significant experience of managing multiple finance functions, preferably in medium sized companies with diversified trading interests. Preference will be given to applicants who are computer literate, have experience of managing computer teams and possess current corporate taxation knowledge

Interested applicants should send their detailed CV to the company's consultant Evan Bond at:-

United House Group Ltd.
Goldsel Road
Swanley Kent BR8 8EX

United House Group is an Equal Opportunities Employer
United House Group operates a no smoking policy

UNITED HOUSE GROUP

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Finance Director

Marketing Services Group

c.£65-70,000 + car + benefits London

Near the top of its specialised field, our client is a well known name in its market sector. Over the past year it has gone through a phase of rationalisation and significant change. Surviving the recession, it is now poised for further growth and a Finance Director is required to take the company through the next stage of development.

Working closely with the Managing Director, this highly commercial role will incorporate responsibility for all financial and management accounting, legal, treasury and company secretarial duties, but in particular:

- Financial control and cash/debtor management
- Direction and control of subsidiaries and joint ventures
- Imposing financial discipline throughout the group
- Providing commercial advice to the Board and operating departments

This appointment calls for a strong and experienced Finance Director who has worked at the sharp end of business management. You must have the hunger and commitment to become fully involved in all aspects of managing this business. You must be a qualified accountant and your experience should include:

- Bank/City/shareholder liaison and presentations
- Imposing financial discipline and systems
- Very strong management skills and self confidence
- Multi-site, complex organisations – including joint ventures

The attractive and negotiable remuneration package will potentially include an equity share for the right candidate after a preliminary period.

This is not an easy job and shrinking violets should not apply. However, the prospects for growth are excellent and the role provides an opportunity for total involvement in the running of this exciting business. If you are ready to take on this challenge please write, with full CV and salary details, to Mark Hartshorne, quoting reference D/1364, explaining why you feel you are right for this role.

Executive Search & Selection
Price Waterhouse
Milton Gate
1 Moor Lane
London
EC2Y 9PB

Finance Manager

Norway **c. 40,000 package, car, benefits**

Outstanding opportunity for commercial young finance professional to make a substantial impact on the operating performance of a c£40 million turnover multi-site, international market leading manufacturer and distributor of high technology products. Excellent entry point into highly regarded UK publicly quoted group with an exceptional record of acquisitive and organic growth and ambitious future plans.

THE ROLE

- Spearhead design and development of fully integrated financial, management and manufacturing reporting system across all sites.
- Liaise effectively with Unit Accountants and General Management to establish stringent performance criteria.
- Develop and introduce new integrated manufacturing and costing systems to establish structure and content of management information.
- Play central role in management team committed to profit improvement programme in highly competitive international market place.

THE QUALIFICATIONS

- Qualified Accountant of graduate calibre; unlikely to be aged under 28 and with obvious potential and ability to progress beyond this role.
- Proven track record of successful implementation of modern manufacturing and costing systems and profit improvement programmes.
- Extensive awareness of systems applications and their contribution to profitability within sophisticated high volume manufacturing business with stringent financial controls. Experience of large international projects advantageous.
- Communicative self starter with the ability to introduce change. Mature, diplomatic and tactful.

Please reply in writing to BHM Search & Selection 27 York Place Leeds LS1 2EY enclosing a full curriculum vitae and quoting Reference BHM10043. Telephone 0532 467033 Facsimile 0532 470191.

BHM
SEARCH & SELECTION

BUSINESS ANALYST

£30-35,000
+ FX Car
+ Benefits

West London

THORN EMI is the publicly quoted parent company of a diverse international Group. Its strategy is to build a global competitive position in consumer-related markets, its two main businesses Music and Rental demonstrating the success of this strategy across the world

The Group Planning and Analysis Department is responsible for co-ordinating financial and strategic planning within the Group, and investment analysis. Key to the achievement of the department's objectives this year will be the development of a new corporate financial model for the Group and a complete update of planning and budgeting procedures. To meet this goal the department is to be strengthened through the addition of a Business Analyst. You will be responsible for the specification and development of the corporate financial model and will also be closely involved in various strategic planning projects. Other duties will include providing analytical support to the Main Board on acquisitions and divestments, and working closely with business unit management in reviewing business unit plans, forecasts and performance.

The successful candidate, aged mid 20's, will be a graduate with 'blue chip' financial and business analysis experience and exceptional financial modelling skills. Since the role will involve interface with the most senior levels within the company, an ability to demonstrate initiative and to act confidently are a prerequisite. This high profile position will provide the candidate with the skills to progress significantly within the Group.

Please apply directly to Marc Eschauzier at Robert Half, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH. Telephone 0753 857777, or alternatively, fax your details on 0753 841676

Any CV's submitted directly to THORN EMI will be forwarded to Robert Half

ROBERT HALF
THE HUMAN FACTOR

FINANCIAL CONTROLLER

CENTRAL LONDON £30-35,000 + CAR

Our client, part of a major European group, has the prime objective of developing major waste to energy projects. They are a young company operating in a rapidly growing sector.

Reporting to the Managing Director and part of a dynamic team, the appointee will:

- Develop and implement new accounting systems and internal controls to meet the needs of a rapidly growing company.
- Model and evaluate proposals for major investment programmes and assist in competitive tendering.
- Produce reports on performance for senior management and the group finance function.
- Supervise the accounting in subsidiary operations.

As the business grows the successful candidate will have the opportunity to acquire FD status.

To be considered for this challenging role, you must be ACMA or ACA qualified, aged 30 plus with experience of project costing and/or computer simulations. You must also possess strong 'hands on' accounting skills.

Interested applicants should write to Sheldon Paule enclosing a detailed CV at:
ANTONY DUNLOP ASSOCIATES
Hanover House, 73-74 High Holborn, London, WC1V 6LS.

APPOINTMENTS WANTED

POLISH

FINANCE/BUSINESS (FEMALE) MANAGER

MA in Economics, fluent bilingual (Pol/Eng), experience as Finance Director/Board Member in multi-national company, knowledge of international reporting, excellent management and communication skills, with enthusiasm and overall commercial flair. Seeks new full or part-time opportunities/professional position in London, willing to travel and work on assignments.

Box No. B1083, Financial Times, One Southwark Bridge, London SE1 9HL

HASBRO

Hasbro Inc is the world's leading manufacturer and marketer of toys, games, puzzles and infant care products. The company's extensive product portfolio includes Milton Bradley puzzles and games; Parker Brothers games including Trivial Pursuit; Playskool; Tonka trucks; Kenner products including Play-Doh; and Hasbro classics such as Sindy, Action Man and Cabbage Patch Kids. With a turnover in excess of $2 billion Hasbro markets its products in every corner of the globe.

From its international headquarters located in award winning Stockley Park, near Heathrow, Hasbro manages its European business as well as its more recent acquisitions in Asia/Pacific. In order to take advantage of growth and acquisitions they now intend to establish a highly commercial international audit team.

INTERNATIONAL AUDIT

NEW TEAM

Audit Manager

c£40,000 + bonus + car

The team requires an exceptionally strong manager, ACA, aged under 37 yrs, who will be responsible for the establishment of the function which will report to the Director of Internal Audit in the U.S. Dealing with sales, marketing, distribution, production and licencing issues you will be expected to assess risks and advise on solutions to increase efficiency and profitability.

Auditor

c£27,000 + bonus + car

Ideal candidates will be ACA, under 30 yrs, offering first class audit experience gained in either internal or external audit roles. Involving considerable contact with non-finance Managers, the role is project and operational biased requiring strong analytical and problem solving skills.

Candidates should offer commercial acumen in addition to a high level of confidence and communication skills. Both positions are likely to involve in excess of 70% overseas travel, the ability to speak a second European language will be a significant advantage. All enquiries made to Hasbro will be redirected to Warwick McLintock.

WARWICK McLINTOCK

SEARCH AND SELECTION, SUITE 2, EBC HOUSE, KEW ROAD, RICHMOND, SURREY TW9 2NA. TELEPHONE 081-940 4900 FACSIMILE 081-940 6524

Finance Director

Bucharest **Excellent Remuneration Package**

Outstanding International Opportunity

Our client is a successful, highly entrepreneurial UK public electronics company whose turnover has quadrupled to c £40m in three years. As a result of continued expansion into Eastern Europe, they seek a commercially orientated Finance Director to manage the financial aspects of a significant joint venture manufacturing operation along with their other Rumanian interests.

Acting as an integral part of the management team, you will be responsible for all aspects of financial management and control including the development of computerised manufacturing and finance systems as appropriate. Above all, you will be responsible for enhancing our client's Rumanian interests which will involve foreign exchange management and creative investment decisions.

Prospective candidates will be qualified accountants who can demonstrate a successful financial and commercial career to date.

Preferred experience will include hands-on control within manufacturing operations and foreign exchange and investment management. Personal qualities will include motivation, flexibility, creativity and the ability to communicate effectively across levels and disciplines. Knowledge of one or more Latin based languages would be advantageous.

In return the company offers excellent career and capital accumulation potential combined with the opportunity to gain unique experience in a developing country. Your current remuneration will not be a limiting factor.

Interested candidates should write quoting current salary and personal circumstances, explaining why this position is of particular interest, to
David Head at **Michael Page Finance, Centurion House, 136-142 London Road, St Albans, Herts AL1 1SA.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Director

BATEMANS
GOOD HONEST ALES

Wainfleet, Lincs **£ Attractive Salary + Car**

Our client, George Bateman & Son Ltd, is an independent brewer with an £11m turnover business. Established in 1874, its activities extend to the ownership and management of 63 tenanted public houses and two hotels, as well as distributing and wholesaling a wide range of products nationally through the free trade and multiple retailers. Over the last few years an export trade has been developed. Renowned for producing excellent beers, it has been the winner of several national awards in recent years.

They now seek a proactive Finance Director to complement their strong and well established management team in implementing the Board strategies for future growth. The initial brief includes provision of full and effective financial controls and management systems, policies and procedures. In the medium term the individual will be expected to make a significant contribution to the profit performance and business planning activities.

The successful candidate will be a qualified accountant, aged 30-45, with commercial experience gained in one or all of the brewing, manufacturing and distribution sectors. The present management is seeking an individual who is capable of influencing the business at all levels. Therefore, a team player who is determined, committed and capable of originating and implementing change is sought. With strong man-management and interpersonal skills the candidate must demonstrate achievement at both strategic and control levels.

Interested candidates should write enclosing a full curriculum vitae to **Paul Kinsey ACMA** at **Michael Page Finance, Imperial Building, 20 Victoria Street, Nottingham NG1 2EX.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Finance Manager

HUNTING Cargo Airlines

East Midlands **c £35,000 + Car**

Hunting Cargo Airlines Ltd, part of the Aviation Division of Hunting PLC, is one of Europe's leading all cargo airlines operating nightly scheduled services throughout Europe.

The Finance Manager will report to the General Manager, will head up the existing accounts department and have full responsibility for the entire range of financial and management accounting, financial analysis, budgeting and IT development.

From day one the Finance Manager will participate fully as a member of the executive management team. This will demand a strong commercial understanding and excellent communication skills.

In due course, the Finance Manager can expect to achieve Directorship status.

In addition to being a qualified accountant, preferably ACA/FCA, you will be:

- Experienced within a distribution environment, ideally airlines with a maintenance facility.
- An effective team member.
- Experienced in implementing management control and information systems.
- Technically competent.
- A resilient, commercially aware accountant, with excellent interpersonal and communication skills, who is able to liaise at Board and Operational level.

If you feel you have the required knowledge and skills, please reply enclosing a comprehensive curriculum vitae to our advising consultant:
Richard Baker at Michael Page Finance, Imperial Building, 20 Victoria Street, Nottingham NG1 2EX.

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Group Financial Executive

North West **c £48,000 + Car + Bens**

Our client is a highly successful North West based PLC which manufactures a wide range of chemical and industrial products and has extensive international interests. Following a recent acquisition and subsequent restructuring they seek to appoint a Group Financial Executive to join a small central team.

Reporting directly to the Group Finance Director you will be initially tasked to review the present management information and systems throughout the group's 40 profit centres leading to the development of a standardised group reporting package and supporting procedures. You will support the Finance Director on a project basis in acquisition appraisal, due diligence and other adhoc assignments.

Candidates will be qualified accountants who can demonstrate a strong costing/management accounting background within a manufacturing environment along with experience of systems development and implementation of change. In addition, well developed interpersonal skills along with a high degree of personal presence and maturity will be essential to enable a significant contribution to be made within this highly autonomous group.

Interested applicants should contact
Stephen K Banks ACMA at
Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.
Please quote **reference 151961.**

Michael Page Finance
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

'Win new business by improving your management team'

MANAGING DIRECTORS

FREE BREAKFAST WORKSHOP FOR MANAGING DIRECTORS & SENIOR PARTNERS

A two hour workshop with participation from the following experts:
Alun Powell – Team Strategist
Mark Lever – Partnership Developer
Peter Willingham – Team Analyst
Martin Kersh – Research Analyst
John Lee – Positioning Consultant

- Set the right direction
- Get the right personalities
- Build the right skills
- Increase success rates

Workshops begin at 8.30am and will finish at 10.30am (prompt)

24 JUNE – HIGH WYCOMBE **12 AUGUST – BIRMINGHAM**

Places are limited to 20 participants each, please contact Richard Hitchens before 4 June on 071-321 0336 Fax: 071-976 1116

KIDSONS IMPEY
29 Pall Mall, London SW1Y 5LP
Bank House, 8 Cherry Street, Birmingham B2 5AD

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Tricia Strong on 071-873 3199

JoAnn Gredell - New York 212 752 4500

Philip Wrigley 071 873 3351

Rachel Hicks 071 873 4798

Clare Peasnell 071 873 4027

FINANCIAL MANAGER

SURREY

c£23k + Car + Benefits

Our client is seeking a recently qualified ACMA with a strong commercial understanding to take over the management accounting for their wholesale division, which has a turnover of around £1 billion. The company is extremely customer-focused and has a strong growth and profits record. Future expansion in the UK and Europe is planned, which will offer further opportunities to the successful applicant.

Candidates should see their role as contributing to the profitability and efficiency of the organisation by providing management with accurate and timely information, perceptive analysis and sensitive questioning, in addition to the normal budgeting, forecasting and reporting requirements.

Useful additions to the ACMA qualification would be a high degree of computer literacy, experience in developing financial systems and project accounting.

Benefits include a salary c£23k according to experience, fully expensed car, life assurance, pension scheme and share purchase scheme.

To apply, please send a full C.V, giving current salary and daytime telephone number in confidence, to David Konrath at the address below. Interviews will be held in Surrey.

DJK ASSOCIATES 1 THE GREEN HARTEST SUFFOLK IP29 4DH

Financial Director

Portugal

Our client, a profitable international group with operations in the UK, Europe and USA, has a range of businesses in Portugal which include property interests.

The company now seeks to appoint a Financial Director to be a key member of the management team ensuring future plans are implemented. Areas of responsibility include the finance function with particular emphasis on tight financial controls and the improvement of management information reporting systems.

Candidates must be commercially aware qualified accountants, probably aged 35+, with a good working knowledge of Portuguese. Good communication skills and proven experience for implementing strong financial disciplines are essential. An attractive remuneration package which fully reflects the seniority of this post including relocation expenses will be offered for this key appointment.

Please reply, in strict confidence, enclosing a CV and quoting ref. 1072/FT to JPW Advertising, Recruitment Division, 8 St Georges Yard, Castle Street, Farnham, Surrey GU9 7LW. Tel: 0252 737707. Fax: 0252 735211.

JPW
HUMAN RESOURCES & COMMUNICATIONS

APPOINTMENTS WANTED

INTERNATIONAL GROUP FINANCE DIRECTOR, MBA, FCA

Experienced in the electronics, engineering, systems and consumer goods industries, whose previous responsibilities have included financial control, general management and consultancy.

Seeks a new challenge and the opportunity to contribute to profit development and growth.

Short term projects undertaken.

Based in Northern England, but willing to relocate.

Telephone: 0625 829383

ADMINISTRATIVE MANAGER - NORTH AFRICA

PLUSPETROL S.A. is an independent Argentine company engaged in oil exploration, production, and refining, with international operations. We are seeking an Administrator for a new exploration and production contract to take up residence in North Africa.

This position includes accounting and financial responsibilities, as well as several other administrative tasks at a management level. Fluent and frequent relationships with local government authorities will also be an important part of this job.

We look for a candidate holding an MBA degree, with a major in accounting, fluency in French and a working knowledge of English. Previous working experience in the oil industry and skills in management of job cost recovery on a reimbursement basis are highly desirable.

We offer a competitive compensation package, housing allowance and moving expenses (if applicable). Qualified individuals should send resume, professional references and salary history by air mail or fax to:

PLUSPETROL S.A. - RR. HH. - Ref. Int. Div.
301 La Rioja (1214) Buenos Aires - Argentina
Fax (541) 97-2301 or 3083

ROYAL CARIBBEAN CRUISES LTD.

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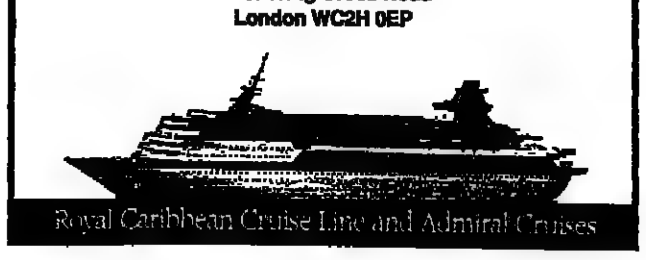

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COMMODITIES AND AGRICULTURE

Escondida has backing for $284m expansion

By Kenneth Gooding, Mining Correspondent, in Santiago

A US$284m expansion of Escondida in Chile, already the world's second largest copper mine, has been given the go-ahead by government lending agencies in Finland, Germany and Japan, which provided most of the money for its start-up at the end of 1990.

The expansion will increase Escondida's output by half and will play a key role in Chile's drive to add value to its copper riches. Part of the expansion involves a unique method of producing copper cathodes, which will give Escondida and Chile 80,000 tonnes of copper metal a year after production begins in August 1994.

Also, some of the extra concentrate (an intermediate material) from Escondida will go to feed a new smelter being put into service this year by Refimet, a Chilean company, which will produce 75,000 tonnes of copper metal annually, and the Enami smelter which is being expanded.

This means that from 1994 about 25 per cent of the Escondida concentrate will be upgraded to metal in Chile. Today none of it is.

Escondida is owned by BHP of Australia (57.5 per cent), RTZ of the UK (30 per cent), a Japanese consortium led by Mitsubishi (10 per cent) and the International Finance Corporation (2.5 per cent).

The company signed 12-year supply contracts with smelters in Finland, Germany and Japan as part of the complex financing package and government lending agencies in those countries loaned about 60 per cent of the $824m needed to get the mine, 3,000mup in the Atacama desert, into operation. It was the biggest single foreign investment in Chile's history.

As senior lenders, the agencies had to give unanimous approval for the expansion, which will be funded from Escondida's cash flow.

The expansion will take output from 390,000 tonnes this year to 420,000 in 1994 and 480,000 in 1995.

A substantial portion of the increased output will come from a $164m solvent extraction electrowinning cathode plant to be built near some of Escondida's existing operations at the port of Coloso, 14km kilometres from Antofagasta.

This will use hydrometalurgical technology, patented by Escondida and developed in BHP's California laboratories, which uses ammonia to leach copper out of the ore, producing the purest copper in the world, 99.999 per cent pure.

Heavy investment: expansion package includes a $9.5m shovel

This technology works only with certain types of ore but is particularly effective with Escondida's. Mr Steve Kesler, manager of planning and business development, said Escondida would be willing to consider making the technology available to other producers.

He said the expansion would increase productivity as it would add only 200 to Escondida's present workforce of 960 and annual output per employee would rise from 320 tonnes to 380 tonnes.

Mr Kesler said hectic activity by copper companies in northern Chile had encouraged two new coal burning power stations to be built in the region and once Escondida had the benefit both of lower power costs and economies of scale from the expansion, operating costs in real terms would drop 20 per cent by 1995.

Escondida does not reveal its operating costs but some observers estimate them at below 50 cents a lb. One indication of Escondida's profitability is that RTZ reported that net attributable earnings from the mine last year were £41m, up from £30m.

Mr Kesler said the recent sudden drop in copper's price had not deterred the owners from pushing ahead with the expansion. "At 80 cents a lb we can meet all operating, capital and debt repayment commitments," he said.

While customers with long term supply contracts would not increase their purchases from Escondida, new customers had been lining up in Poland, the Commonwealth of Independent States, Spain and Sweden, attracted by the mine's clean, high-quality concentrate.

Other elements in the expansion include an increase in mining capacity by the purchase of one of the world's biggest mechanical shovels, which can lift fifty cubic yards with one scoop and costs $9.5m, and twelve haul trucks at $1.7m each. Expansion of milling capacity will cost $83m.

CBoT votes to open grain markets one hour earlier

By Laurie Morse in Chicago

REVERSING a 108-year tradition, members of the Chicago Board of Trade have voted to open their agricultural futures and options contracts one hour earlier in hopes of gaining more European business.

While the exchange's busy financial futures trading floor has undergone several changes in its trading day over the last decade – including the introduction of a night bond session – its 3 hour and 45 minute grain trading session has been sacrosanct.

CBoT traders have opened their grain markets at 0930 CDT and closed them at 1315 CDT since 1885.

Now, as the EC institutes its CAP reforms and European cereals prices are expected to become more volatile, the CBoT wants to have its pits open earlier in the European day.

The move, exchange leaders contend, will ward off budding competition in agricultural derivatives from London's Futures and Options Exchange (Fox) and France's Matif.

One day before the vote CBoT traders had said it was too close to call. However, the proposal passed with a relatively wide margin, 583 votes to 347.

Plans for a 0830 CDT opening must now be approved by the Commodity Futures Trading Commission. The CBoT hopes to implement the earlier opening before the end of the year.

Fledgling Shanghai Metals Exchange is world's third largest

By our Beijing Staff

THE FLEDGLING Shanghai Metals Exchange has become the world's third largest one year after its opening, but the first anniversary this week of its formation has not proved particularly auspicious.

The market, in line with the slide on other metal exchanges, plunged to its lowest point since its opening.

An exchange spokesman said trading had become more volatile since a Reuter link was installed this week. Traders were now reacting to up-to-the-minute reports of price movements in London and New York. By May 24, the SHME had traded 8.34m tonnes of non-ferrous metals. Volume totalled Yuan153.4bn (US$26.8bn) for the year.

Mr Sheng Kunxin, vice president of the SHME, blamed this week's price slump on international factors, China's tighter credit policies, a weakening local currency and gloomy world economy.

"On the whole the market has remained stable," said Mr Sheng. "Prices for some metals fell because they were affected by the London market and the grim world economy – we are quickly fully integrated with the world's metals market."

The SHME plans to increase domestic brokers from the present 55 to 88. It serves more than 1,000 customers in China and plans to include foreign members by the end of the year when the dealing system is brought into line with international practice.

Six metals are traded on the SHME – copper, aluminium, zinc, tin, nickel and pig iron.

Coarse grain output seen lower due to late planting

By David Blackwell

DELAYS IN planting maize in the US because of rain are the main reason for an expected reduction in world coarse grain output, the International Wheat Council said yesterday.

In its first estimate for 1993, the IWC puts world production at 828m tonnes, down from 1992's record 858m tonnes but well above the five-year average of 804m tonnes.

Smaller harvests in Western Europe, the former Soviet Union, South America, China and India also help account for the production decline.

Consumption is forecast at 845m tonnes, up from 827m tonnes the previous year. The IWC cites rising animal numbers in the US and strong feed industries growth in middle-income developing countries such as Brazil and Mexico.

World trade in coarse grains is expected to decline 3m tonnes to 89m tonnes. The IWC has also revised downwards its forecast for 1993 wheat production to 564m tonnes from last month's 566m tonnes.

Brazil's Hill of Gold digs deeper for a secure future

By Kenneth Gooding

A BATTLE is on to lengthen the life of Brazil's biggest primary gold mine, Morro do Ouro, or the Hill of Gold, which is also one of the lowest grade gold mines in the world – two tonnes of ore has to be processed to liberate one gram of the precious metal.

Even so, it has been a profitable venture since it was brought into operation at the cost of US$65m in 1988 because the rock is very soft and the gold comes out easily.

Last year MdO contributed more than £8m to the net profits of RTZ, the UK group which owns 51 per cent and operates the mine, up from £6m in 1991. A Brazilian company, Autram, owns the rest of MdO.

The mine produced 166,600 troy ounces of gold in 1992, slightly up from the 165,900 ounces the previous year.

But, as MdO goes deeper, the rock is getting harder; last year $13m of plant modifications were completed to treat harder ore.

These modifications should enable the mine to maintain a production rate only slightly below that of 1992. The target for this year is 162,750 ounces of gold.

Now the mine management, working with RTZ Mineracao, the UK group's Brazilian holding company, is looking for ways to extend the life of the mine beyond 2001.

At stake are the 445 jobs directly provided by the mine and another 448 provided by the mining contractor.

Mr Ludovico Costa, general manager, is sure costs can be reduced further, even though the mine's cash operating costs have already come down from $358 an ounce in 1988 to $170.

Last year costs were reduced partly by negotiating a new contract with the mining contracting company – which agreed to cut charges by 30 per cent to retain the work – and by the introduction of new mining methods.

These do away with all blasting of ore, which is now simply scrapped up by conventional bulldozers.

This change also eliminates one source of friction with residents of Paracatu, only a mile from the mine, some of whom complained the blasting was damaging their property.

Lower costs would enable rock with even less gold in it to be processed economically, so that perhaps three tonnes would be treated to produce one gram of gold.

There is also gold in sulphide rock which, if it could be economically treated, would extend the mine's life to 2014.

A pilot plant at the mine has shown the ore can be treated to give up its gold but MdO still has to find an economic way of dealing with the sulphuric acid that would be gen-

Another possibility for ore from smaller, satellite deposits, with similar ore, to be processed into a concentrate, an intermediate material, that could be trucked to the nearby mine for further upgrading.

● Malaysian tin miners, in a desperate bid to bolster record low prices, want export curbs on major producers to be scrapped, a move that is likely to win government backing, Reuter reports from Kuala Lumpur.

NZ fish exports hurt by world recession after 26 per cent leap

By Terry Hall in Wellington

THE NEW Zealand fishing industry is being affected by world recessionary trends and is unlikely to repeat last year's record jump in exports, which rose 26 per cent to NZ$1.34bn (US$734m), the chief executive, Mr Ray Dobson, said yesterday.

However, the setback would be temporary, he suggested, adding that the industry was on target for sales of NZ$2bn by the year 2000.

Mr Dobson, releasing the board's annual economic review, said that in addition to suffering softer world fish prices, the NZ industry had also been badly affected by the effects on shellfish of the toxic algal bloom, which forced this part of the industry to shut down for as long as five months. The last ban on harvesting shellfish was lifted on Wednesday.

The board said "everything came right" in 1992 – exchange and interest rates and catches. Seafood sales earned NZ$1.34bn, of which NZ$1.22bn came from exports. There was a 10.6 per cent rise to a total 657,266 tonnes in the catch in the economic zone around the country.

Japan was the biggest customer, buying NZ$409m, followed by the United States NZ$291m, Australia NZ$122m and Europe NZ$120.5m.

Sales of hoki, a fish thought valueless till the mid 1980s because it has a boney backbone and is difficult to fillet, were the biggest export earner, up from NZ$151m to NZ$233m. Orange roughy, a mainstay of the US restaurant trade, saw a sales rise of 16 per cent to NZ$159m. Rock lobster (crayfish in New Zealand), earned NZ$101.8m. About 75 per cent of lobsters are exported live to Japan.

Catches by foreign fishing boats chartered by New Zealand companies rose by 50,000 tonnes to 400,000 tonnes, mostly due to a big rise in trawling for southern blue whiting in the Pacific Ocean south of New Zealand.

Mr Dobson said prices for hoki, a popular whitefish, had fallen by up to 20 per cent this year, partly as a result of black market Russian cod flooding the European market.

Norway oil costs seen rising steeply

By Karen Fossli in Oslo

OPERATING expenditure for oil companies in Norway is set to rise steeply to NKr53bn ($7.7bn) in 1998 from a current forecast of NKr40bn this year, or 44 per cent of total industry expenditure, according to a report soon to be issued by Edinburgh-based oil analyst Wood Mackenzie.

The increase comes at a time of weak oil prices, declining production from mature fields and increasing pressure on operators from their partners to contain operating expenditure.

According to the analyst, average operating costs in Norway are higher than for other North Sea sectors at around $5.30 per barrel of oil equivalent (boe) compared with $4.50 in the UK and $3.80 in both the Netherlands and Denmark.

WoodMac says the imposition in 1991 of Norway's carbon emissions tax had a significant impact on operating costs and is estimated to have accounted for about 5 per cent of total operating expenditure in 1993, raising about NKr2bn for state coffers.

The analyst forecast average operating costs in the short-term to remain at the current level of NKr40 per boe, contained by a steadily rising production profile, rising to NKr46 by the late 1990s, which WoodMac says is a source of concern.

"From the mid-1990s the rising cost of production from declining mature fields will not be compensated for by output from new field developments," the analyst warned.

MIM Group mines protected from Aboriginal land claims

By Emilia Tagaza in Melbourne

THE GOVERNMENT of Australia yesterday moved to protect MIM Group's A$300m (US$210m) lead and zinc mine in the Northern Territory from possible Aboriginal land claims.

The move came amid fears in Australia of an avalanche of land claims after a high court decision recognising the existence of land titles before the Europeans came in 1788.

The Northern Territory government has filed a bill to override native titles that might be presented against MIM's titles covering its leases for the McArthur River project. The bill, backed by Canberra, was filed after Aboriginal groups in the area threatened to lay claims on the land unless given infrastructure and compensation packages. The MIM leases reputedly hold one of the world's largest reserves of lead, zinc and silver.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER prices ended easier on the LME after a session of wide price movements, pulling other metals lower as well. Dealers said copper's weakness was prompted by recent successive failures above $1,850 a tonne for three-month metal, and the market broke downwards below $1,820, with liquidation, sell stops, and option sales driving prices down to $1,795 at one stage. On the London bullion market GOLD remained locked within the now well established range between $372 and $380 a troy ounce. "There are (sell and buy) stops building up on either side of this range," one dealer said, adding that if gold managed to break through either side, "we would see a $5 movement very easily." London's robusta COFFEE futures reversed an earlier advance and finished lower as the recent bout of fund and chart-related buying appeared temporarily to dry up. New York's arabica coffee was lower across the board at midday on long liquidation linked to July's early inability to test 10-week highs scored earlier this week. Chicago WHEAT futures were lower at midday amid light fund selling, which pressed nearby contracts to lifetime

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jul)		+ or -
Dubai	$16.24-6.29z	+.355
Brent Blend (dated)	$18.38-8.41	+.305
Brent Blend (Jul)	$18.66-8.69	+.305
W.T.I (1 pm est)	$20.10-0.13z	+0.32
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$208-211	-0.5
Gas Oil	$171-173	+2.5
Heavy Fuel Oil	$67-69	
Naphtha	$164-166	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$376.70	+1.25
Silver (per troy oz)♣	460c	+3.5
Platinum (per troy oz)	$390.25	+3.25
Palladium (per troy oz)	$120.50	+0.9
Copper (US Producer)	88.0c	
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	13.70r	+0.01
Tin (New York)	249c	-2
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	144.24	+0.47
Sheep (live weight)†♠	138.69	-4.69*
Pigs (live weight)†	93.34p	+1.59*
London daily sugar (raw)	$283.6	-10.2
London daily sugar (white)	$281.5	-10.5
Tate and Lyle export price	£294.0	-8.0
Barley (English feed)	£110.5	
Maize (US No. 3 yellow)	£166.5	
Wheat (US Dark Northern)	Unq	
Rubber (Jun)♥	59.00p	-0.25
Rubber (Jul)♥	59.25p	-0.25
Rubber (KL RSS No 1 May)	209.5m	
Coconut oil (Philippines)§	$435y	-10
Palm Oil (Malaysian)§	$370u	+5
Copra (Philippines)§	$265u	
Soyabeans (US)	£177z	+1
Cotton "A" Index	59.85c	
Wooltops (64s Super)	375p	+13

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Aug/Sep u-Jun.z-July.. v-Oct ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – London FOX ($ per tonne)

White	Close	Previous	High/Low
Aug	281.00	284.50	282.00 281.00
Oct	280.00	284.50	288.50 280.00
Dec	284.00	291.00	288.50 284.00
Mar	286.00	288.50	288.50 286.00

White 1307 (1125) Paris- White (FFr per tonne): Aug 1523.08 Oct 1542.27

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jul	18.68	18.46	18.70 18.38
Aug	18.78	18.60	18.79 18.51
Sep	18.89	18.69	18.89 18.62
Oct	18.97	18.81	18.97 18.71
Nov	19.04	18.90	19.04 18.79
Dec	18.88	18.98	18.88 18.82
Jan	18.86	18.92	[illegible]
Feb	18.87	18.91	18.87 18.83
IPE Index	18.41	18.42	

Turnover 19667 (20082)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Jun	170.50	168.75	170.75 167.50
Jul	171.25	170.25	171.50 168.75
Aug	173.00	172.00	173.25 171.00
Sep	175.25	174.25	175.50 173.75
Oct	178.50	177.50	178.50 176.25
Nov	180.75	179.50	180.75 178.75
Dec	182.75	181.50	182.75 180.50
Jan	183.25	182.00	183.25 181.25

Turnover 13991 (12000) lots of 100 tonnes

FRUIT & VEGETABLES

Melons are this week's best fruit buy, with the Galia variety priced at 80p-£1.50 each (£1.00-1.20), yellow Honeydew at £1.25-1.50 each (£1.25-1.50) and watermelon at £2.75-3.00 each (£3.00-3.50) reports the FFVIB. New season carrots are good this week at 35-40p a lb (35-40p), along with Jersey Royals and Cornish new potatoes at 28-30p a lb (25-35p) and broccoli at 50-65p per 8oz prepack (50-70p). Spring greens at 35-40p a lb (35-40p) round off the best vegetable buys. English tomatoes at 60-65p a lb (65-70p), Spring onions at 35-40p a bunch (30-35p) and Chinese leaves at 60-80p each (75-80p) are all superb quality.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	636	643	642 636
Jul	663	665	664 660
Sep	678	681	680 676
Dec	698	702	700 698
Mar	718	721	719 718
May	733	734	736 733
Jul	746	749	748
Sep	763	766	765 761
Dec	785	786	784
Mar	810	809	809 808

Turnover: 2043 (3449) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 26 694.27 (696.10) 10 day average for May 27 696.50 (696.18)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
May	912	919	935 930
Jul	923	934	953 921
Sep	927	938	956 926
Nov	935	946	959 935
Jan	941	949	961 951

Turnover: 3243 (3800) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 26 Comp. daily 56.64 (55.55) 15 day average 54.17 (53.84)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	100.3	101.8	102.0 98.0
May	109.0	111.0	109.0 108.0

Turnover 92 (359) lots of 20 tonnes.

SOYABEAN MEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Aug	-	142.30	

Turnover 0 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jun	1448	1475	1463 1430
Jul	1330	1340	1330 1314
Oct	1385	1400	1380 1374
Jan	1433	1460	1440 1430
BFI	1826	1842	

Turnover 298 (160)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low
Jul	140.15	138.75	140.15 138.80
Sep	107.25	-	107.25 107.00
Nov	108.60	108.55	108.60 108.30
Jan	111.60	111.45	111.60
Mar	114.00	113.90	114.00
May	116.00	116.05	116.15

Barley	Close	Previous	High/Low
Sep	105.45	105.95	105.45

Turnover: Wheat 154 (299), Barley 1 (53).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	111.5	110.6	111.5
Jul	104.6	103.8	104.5

Turnover8 (7) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,007 lots
Cash	1121.5-2.5	1123.5-4.5		1123.5-4.0		
3 months	1144.5-5.0	1147.5-8.0	N/A	1146-7	N/A	185,038 lots
Copper, Grade A (£ per tonne)						Total daily turnover 54,020 lots
Cash	1157-8	1185.5-6.5		1150-1		
3 months	1170.5-1.0	1200-1	N/A	1166-7	N/A	211,763 lots
Lead (£ per tonne)						Total daily turnover 3,953 lots
Cash	282.5-3.5	282.5-3.5		281-1.25		
3 months	272-2.5	272.75-3.0	N/A	270.5-1.0	N/A	15,718 lots
Nickel ($ per tonne)						Total daily turnover 3,013 lots
Cash	5630-40	5660-70		5625-30		
3 months	5700-5	5730-5	N/A	5694-5	N/A	49,855 lots
Tin ($ per tonne)						Total daily turnover 1,862 lots
Cash	5365-60	5405-10		6345-50		
3 months	5415-20	5465-70	N/A	5405-10	N/A	9,291 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 35,194 lots
Cash	948-9	955-6		947.5-8.0		
3 months	966-7	973-4	N/A	966-7	N/A	88,880 lots

LME Closing £/$ rate: SPOT: 1.5550 3 months: 1.5465 6 months: 1.5378 9 months: 1.5278

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	376.50-376.90	
Opening	374.50-375.00	
Morning fix	377.00	242.476
Afternoon fix	374.75	242.006
Day's high	379.00-379.50	
Day's low	374.25-374.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.49	6 months	2.49
2 months	2.49	12 months	2.49
3 months	2.49		

Silver fix	p/troy oz	US cts equiv
Spot	294.95	458.10
3 months	298.80	462.05
6 months	303.15	466.10
12 months	311.85	474.

GOLD COINS

	$ price	£ equivalent
Krugerrand	377.00-380.00	243.00-245
Maple leaf	387.75-390.20	-
New Sovereign	89.5-92.50	57-59

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1125	28	47	17	23
1150	16	34	30	34
1175	8	24	47	48
Copper (Grade A)	**Calls**		**Puts**	
1800	55	887	48	71
1850	34	61	77	98
1900	20	43	113	130
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
900	38	65	16	38
950	16	42	43	65
1000	5	27	82	100
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
700	4	28	41	45
725	1	15	63	62
750		10	87	82
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1750	-	-	3	10
1800	-	-	-	17
1850	25	48	21	40

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	381.4	375.3	382.5	374.1
Jul	382.4	376.3	0	0
Aug	383.4	377.4	384.5	376.4
Oct	385.2	379.2	385.8	379.2
Dec	387.0	381.0	388.3	380.0
Feb	388.8	382.6	389.0	384.0
Apr	390.3	384.3	390.0	386.0
Jun	392.0	386.0	388.0	386.9
Aug	393.8	387.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	390.2	388.6	400.0	389.0
Oct	397.6	387.1	397.0	388.5
Jan	396.6	388.3	396.0	389.4
Apr	396.6	388.1	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	468.9	455.2	0	0
Jul	470.0	456.3	470.5	452.0
Sep	473.2	459.5	474.0	455.0
Dec	478.1	464.3	478.5	460.0
Jan	478.7	464.9	0	0
Mar	482.9	469.1	483.0	468.0
May	486.6	472.8	484.0	475.0
Jul	489.8	475.9	479.5	474.0
Sep	493.7	479.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	79.15	82.00	81.30	79.05
Jul	79.55	82.20	81.85	79.50
Aug	79.85	82.50	0	0
Sep	80.15	82.75	82.40	80.00
Oct	80.35	82.95	81.65	81.00
Nov	80.60	83.25	0	0
Dec	80.90	83.50	83.00	81.10
Jan	81.05	83.65	82.00	82.00
Feb	81.30	83.85	82.60	82.60
Mar	81.60	84.15	83.60	82.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	20.09	19.89	20.13	19.85
Aug	20.27	20.09	20.31	20.06
Sep	20.36	20.20	20.41	20.16
Oct	20.40	20.26	20.45	20.24
Nov	20.41	20.30	20.49	20.25
Dec	20.46	20.31	20.48	20.36
Jan	20.48	20.31	20.48	20.39
Feb	20.30	20.30	0	0
Mar	20.28	20.29	0	0
Apr	20.28	20.28	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	54.86	54.29	54.70	54.05
Jul	55.10	54.52	55.15	54.40
Aug	55.85	55.22	55.85	55.16
Sep	56.75	56.27	56.70	56.20
Oct	57.65	57.28	57.65	57.20
Nov	58.50	58.21	58.50	58.25
Dec	59.70	59.12	59.70	59.22
Jan	60.10	59.60	60.10	59.60
Feb	59.70	59.33	59.70	59.50
Mar	58.40	57.95	58.40	58.20

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	880	887	892	879
Sep	922	930	923	913
Dec	953	962	963	955
Mar	997	993	997	988
May	1021	1016	1018	1015
Jul	1041	1036	0	0
Sep	1064	1059	1060	1059
Dec	1096	1091	0	0
Mar	1130	1125	1120	1118

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	62.50	59.85	61.40	60.50
Jul	62.85	64.95	65.80	62.40
Sep	64.85	66.80	67.20	64.20
Dec	67.25	69.20	70.25	67.00
Mar	69.50	71.60	72.50	69.00
May	71.36	73.75	0	0
Jul	72.55	74.66	0	0
Sep	74.20	76.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	10.57	11.12	11.29	10.52
Oct	10.76	11.30	11.44	10.75
Mar	10.81	10.99	11.10	10.80
May	10.55	10.90	10.96	10.55
Jul	10.63	10.80	10.88	10.70
Oct	10.47	10.74	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	60.60	60.44	60.70	60.01
Oct	59.12	59.30	59.40	58.85
Dec	58.53	58.59	58.70	58.15
Mar	59.58	59.58	59.85	59.25
May	60.20	60.25	60.00	59.90
Jul	60.58	60.60	0	0
Oct	59.80	59.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	114.05	111.75	114.10	110.85
Sep	116.95	114.60	117.00	113.50
Nov	118.60	117.15	119.00	116.30
Jan	120.75	118.60	120.75	118.00
Mar	121.70	119.70	121.50	119.00
May	121.50	119.70	[illegible]	[illegible]
Jul	121.50	119.70	121.10	120.00
Sep	121.30	119.70	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

May 27	May 26	mnth ago	yr ago
1674.8	1677.5	1682.6	1601.7

DOW JONES (Base: Dec. 31 1974 = 100)

	May 26	May 25	mnth ago	yr ago
Spot	121.46	121.14	122.27	117.41
Futures	121.72	122.36	125.24	117.85

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	609/0	612/6	613/2	608/0
Aug	608/0	611/0	611/4	607/4
Sep	605/6	608/0	608/4	605/4
Nov	606/4	609/0	609/2	606/0
Jan	612/2	615/0	615/0	612/0
Mar	617/6	619/4	620/0	617/4
May	619/4	621/0	621/6	619/4
Jul	620/0	620/6	622/0	619/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.51	21.64	21.65	21.45
Aug	21.64	21.77	21.77	21.59
Sep	21.75	21.90	21.87	21.71
Oct	21.86	22.02	21.87	21.84
Dec	22.12	22.24	22.23	22.06
Jan	22.21	22.34	22.29	22.18
Mar	22.40	22.52	22.45	22.32
May	22.57	22.65	22.57	22.48
Jul	22.67	22.77	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	192.0	192.9	194.0	191.9
Aug	191.5	192.0	193.0	191.4
Sep	191.2	191.4	192.4	190.9
Oct	190.7	190.9	191.8	190.7
Dec	191.4	191.5	192.3	191.2
Jan	191.6	191.6	192.5	191.4
Mar	191.6	192.2	192.6	191.6
May	192.5	193.0	192.5	191.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	224/4	226/0	226/0	224/2
Sep	229/2	231/0	231/0	229/2
Dec	235/6	237/6	238/0	235/4
Mar	243/2	245/0	245/0	243/0
May	248/0	249/6	249/2	248/0
Jul	251/2	253/2	253/0	251/2
Sep	246/0	248/4	0	0
Dec	246/0	245/4	248/0	246/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	288/4	289/0	289/6	287/0
Sep	291/4	292/0	292/6	290/0
Dec	302/4	303/2	303/6	301/6
Mar	308/6	309/2	310/4	308/0
May	309/0	309/2	311/0	308/4
Jul	308/0	308/2	309/0	306/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	75.250	75.300	75.450	75.075
Aug	73.400	73.500	73.550	73.150
Oct	74.000	74.250	74.175	73.750
Dec	74.000	74.175	74.200	73.800
Feb	73.625	73.750	73.950	73.550
Apr	74.750	74.850	74.975	74.750
Jun	72.000	71.850	72.300	72.000

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	51.900	52.600	52.850	51.550
Jul	50.550	51.675	51.800	50.275
Aug	48.350	49.600	49.650	48.100
Oct	43.050	43.750	43.800	42.875
Dec	44.050	44.950	44.900	43.900
Feb	44.600	45.000	44.900	44.200
Apr	43.350	43.625	43.350	43.000
Jun	48.500	48.600	48.600	48.500

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	40.450	42.200	42.400	40.200
Aug	39.750	40.375	40.700	38.375
Feb	40.900	41.400	41.800	40.700
Mar	40.025	40.400	40.800	40.025
May	41.000	41.500	0	41.000

LONDON STOCK EXCHANGE

Overseas factors boost UK equities

By Terry Byland,
UK Stock Market Editor

THERE WAS little immediate reaction on the UK stock market to the widely predicted reshuffle of the UK government headed by Mr John Major. The replacement of Mr Norman Lamont by Mr Kenneth Clark as UK chancellor of the exchequer was not unexpected – or even unwelcome – in the City and investors appeared prepared to wait for the first move from his successor, whose pro-ERM views may find a mixed response on the stock market. However, equities took their cue yesterday from a relatively steady performance in sterling and gilt-edged securities.

Some analysts commented that Mr Clarke appears less committed to the anti-inflation, hard money, line of his predecessors and that this may make his appointment more acceptable to the equity market than to the gilt-edged sector.

However, the gain of 8.4 to 2,855.3 in the FT-SE 100 Index yesterday was inspired by international, rather than domestic, events. Prospects for another early cut in UK base rates remained on much the same rating, hopeful rather than expected.

A firm opening in UK shares reflected new peaks overnight in New York and Hong Kong equities, and was sustained by firmness in Tokyo and by a further advance on Wall Street as it opened its new trading session. These factors helped the London market to shrug off a £199m rights issue from Hammerson, the UK property group.

Share prices held their firmer ground for most of the session, with the exception of a brief period when the market became confused as it waited for confirmation of the details of the reshuffle of Mr Major's Cabinet.

Once again, it was a trading session driven by corporate news rather than by wider economic factors. Traders reported further buying of the defensive sectors of the stock market, ranging through Britain's overseas earning companies to the domestic brewery stocks which have been hard-driven in recent sessions.

Wider uncertainties were reflected by a check to the steady rise in second line issues. The FT-SE Mid 250 Index slipped 5.9 to 3,169.6 in its first daily setback since the middle of last week.

Seaq volume increased from Wednesday's 626.8m shares to 660.5m, with non-Seaq business making up about 62 per cent of yesterday's total. Retail, or customer, business was worth £1.43bn on Wednesday, reaffirming satisfactory levels of profitable business after a brief slowdown earlier this week.

Mid-morning brought a sizeable trading programme which appeared to be weighted on the buying side and focused on three important sectors – building, banking and merchant banking and insurance issues. Trading volume was also boosted by the second leg of a batch of large tax deals traded at the close of the previous session.

The Footsie was restrained by a reaction in oil shares to the gains of recent sessions and by slower trading among the UK banks. But renewed demand for Reuters, the international global information group, and also for BAT Industries, provided features among the blue chips.

The broader range of domestic consumer stocks, still looking for confirmation of recovery in the domestic economy, lacked firm direction.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	8,300	70½	+1
Abbey National†	2,700	411	-4
Albert Fisher	1,200	62	-2
Allied-Lyons†	2,400	571	+4
Amstrad	191	22½	
Anglian Water†	1,900	492½	-2½
Argos	259	310	-1
Argyll Group†	11,000	336½	+8½
Arjo Wiggins†	3,800	181	+1
Ass. Brit. Foods†	242	469	-3
Ass. Brit. Ports	150	422	+1
BAA†	687	780	+6
BAT Inds.†	3,700	488	+8
BET	1,800	109	
BICC	502	398	-7
BOC†	690	667	+2
BP†	5,100	310½	-1½
BPB Inds.	1,400	229	-2
BT†	7,900	421½	-4
BTR†	1,800	604	
Bank of Scotland†	534	142	-1
Barclays†	1,400	459	
Bass†	758	490	+9
Blue Circle†	5,100	250	-3
Booker	457	374	-2
Boots†	2,800	437	+8
Bowater†	1,100	484	+3
Brit. Aerospace	1,400	328	+4
British Airways†	3,700	309	-2
British Gas†	1,200	294	+4
British Land	1,300	383	-11
British Steel†	6,800	98	-1¼
Bunzl	2,100	129	+3
Burmah Castrol†	146	709	+8
Burton	11,000	80¾	-2
Cable & Wire.†	2,100	743	-4
Cadbury Schweppes†	834	438	+8
Calor Group	169	737	
Carlton Comms.†	1,800	756	+17
Coats Viyella†	112	232	-1
Comm. Union†	1,300	569	+8
Cookson	1,000	200	-2
Courtaulds†	408	341	
Dalgety	641	438	-1
De La Rue†	480	982	+11
Dixons	168	214	+1
Eastern Elec.	243	469	-4
East Midland Elec.	480	468	-5
Eng China Clays†	1,100	482	-3
Enterprise Oil†	785	487	-2
Eurotunnel Units	456	411	-1
FKI	552	133	-1
Fisons†	2,000	185½	-1½
Foreign & Col. I.T.	1,800	229	[illegible]
Forte†	910	192	-1
Gen. Accident†	1,000	559	-4
General Elec.†	5,000	318	-2
Glaxo†	3,500	612	-5
Glynwed Int.	282	300	-2
Granada†	1,800	400	+8
Grand Met.†	5,400	395	+8
GUS A†	305	1651	+13
GRE†	3,800	174	
GKN	552	448	+4
Guinness†	3,800	475	+15
HSBC (75p shs)†	3,680	624	+8
Hammerson 'A'	1,800	344	+4
Hanson†	6,800	231½	-1½
Hanson Warrants	2,200	23½	
Harrisons Crosfield	1,000	185	
Hillsdown	1,400	147	
IMI	374	270	
ICI†	2,800	1255	-12½
Inchcape†	843	587	+11
Johnson Matthey	8	448	+1
Kingfisher†	908	574	
Kwik Save†	204	778	
Ladbroke†	2,200	178½	[illegible]
Land Securities†	3,000	558	-6
Laporte	578	616	+4
Legal & General†	1,200	472	-2
Lloyds Abbey	1,800	420	+1
Lloyds Bank†	2,400	535	-5
LASMO†	4,100	153	+2
London Elec.	692	485	-6
Lonrho	8,700	115	-7
Lucas	2,000	[illegible]	-2
[illegible] Caradon†	1,400	[illegible]	-5
MEPC	708	435	-10
MFI	1,100	129	-2½
Manweb	32	522	-5
Marks & Spencer†	1,900	335½	+1½
Midlands Elec.	191	487	-6
Morrison (Wm.)	336	166	+1
NFC†	3,600	282	-2
NatWest Bank†	2,700	480	-2
National Power†	6,300	346	+11
Next	1,000	184	+1
North West Water†	1,800	482	-5
Northern Elec.	384	585	-5
Northern Foods†	1,000	258	+2
Norweb	489	585	-1
Pearson†	387	443	
P & O†	1,400	601	
Pilkington	4,300	133	
PowerGen†	4,400	358	+11½
Prudential†	4,700	333	+2
RMC	775	738	-1
RTZ†	1,600	686	-3
Racal	1,500	188	+1
Rank Org.†	157	713	-2
Reckitt & Colman†	1,000	565	+7
Redland†	1,400	480	-11
Reed Intl.†	546	646	+1
Rentokil†	1,200	185	+3
Reuters†	1,000	1373	+21
Rolls Royce	2,200	144	
Rothmans†	595	567	-3
Ryl Bk Scotland†	2,400	288	
Royal Insurance†	1,500	287	-2
Saatchi	488	171	-7
Sainsbury†	4,400	487	+12
Scottish & New.†	128	452	-2
Scot. Hydro-Elect.†	1,200	341	+6
Scottish Power†	3,300	321	+6½
Sears†	3,700	89½	+1
Sedgwick	3,600	163	-4
Seeboard	114	491	-6
Severn Trent Water†	2,900	490	
Shell Transport†	2,900	611½	-2½
Siebe†	388	493	-2
Slough Ests	603	283	-3
Smith (W.H.) A	388	489	-1
Smith & Nephew†	911	142	-1
SmKl Beecham†	1,900	478½	+6½
SmKl Beecham Uts†	752	424½	+2½
Smiths Inds.	886	334	-5
Southern Elec.†	488	471	-4
South Wales Elec.	12	530	-3
South West Water	918	514	-5
South West. Elec.	181	487	-1
Southern Water	1,800	599	+3
Standard Chartd.†	1,100	727	+1
Storehouse	1,600	208	+4
Sun Alliance†	2,900	325	
T&N	292	177	+5
TI Group†	785	324	-6
TSB†	2,400	185	+1
Tarmac	3,100	130	-4
Tate & Lyle†	3,800	386	+7
Taylor Woodrow	292	105	-2
Tesco†	6,400	220¼	+7¼
Thames Water†	1,800	502	-1
Thorn EMI†	1,200	879	+8
Tomkins†	1,500	229	[illegible]
Trafalgar House	4,100	105½	-2
Unigate	365	338	-6
Unilever†	2,100	1025	
United Biscuits†	1,200	401	-3
Utd. Newspapers	358	588	-3
Vodafone†	4,800	431	+3½
Warburg (SG)	1,000	717	+23
Wellcome†	2,600	784	+1
Welsh Water	53	589	-2
Wessex Water	666	576	
Whitbread 'A'†	1,600	482	+5
Williams Hdgs.†	1,100	332	-5
Willis Corroon	1,100	195	-2
Wimpey	1,600	171	-4
Wolseley	1,600	638	-5
Yorkshire Elect.	104	913	-4
Yorkshire Water	371	523	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	May 10	May 24	Jun 7
Option Declarations:	May 20	Jun 3	Jun 17
Last Dealings:	May 21	Jun 4	Jun 18
Account Day:	Jun 1	Jun 14	Jun 28

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2855.3 +8.4	3169.6 -5.9	1409.17 +2.67

	May 27	Day's change %	May 26§	May 25§	May 24	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2855.3	+0.3	2846.9	2837.7	2825.6	2694.2	6.35	4.03	19.48	45.97
FT-SE Mid 250	3169.6	-0.2	3175.5	3172.7	3168.4	2763.5	5.90	3.57	21.66	38.10
FT-SE-A 350	1422.7	+0.2	1420.1	1418.2	1411.1	1322.1	6.25	3.95	19.93	21.61
FT-SE SmallCap †	1617.71	+0.2	1614.98	1612.44	1610.87	–	4.38	3.52	32.41	20.01
FT-SE SmallCap ex Inv Trusts	1630.61	+0.2	1628.07	1625.44	1623.83	–	4.83	3.71	30.34	21.04
FT-A ALL-SHARE	1409.17	+0.2	1406.50	1402.83	1397.91	1307.66	6.13	3.92	20.42	21.15
1 CAPITAL GOODS(212)	987.38	-0.4	991.54	990.41	988.35	908.54	4.72	4.00	28.21	14.81
2 Building Materials(27)	1094.60	-0.9	1104.31	1110.81	1108.00	1078.78	4.63	4.43	29.46	18.38
3 Contracting, Construction(29)	957.78	-1.5	972.28	982.90	986.30	1029.28	[illegible]	3.42	80.00†	13.02
4 Electricals(15)	2931.55	-0.6	2950.34	2977.98	2913.68	2728.67	5.10	4.61	24.95	65.13
5 Electronics(37)	2672.50	-0.4	2683.12	2685.65	2670.98	1984.88	5.92	2.89	21.34	20.36
6 Engineering-Aerospace(7)	379.74	+0.1	379.54	381.49	382.78	[illegible]	‡	3.89	‡	5.13
7 Engineering-General(51)	559.58	-0.3	561.00	580.20	559.49	563.85	6.53	3.71	19.37	7.53
8 Metals & Metal Forming(11)	419.76	-0.8	423.21	422.49	427.22	361.79	[illegible]	2.93	40.94	2.29
9 Motors(18)	392.18	+0.4	390.60	391.32	390.73	395.37	4.95	5.62	28.41	9.59
10 Other Industrials(18)	2065.70	[illegible]	2073.07	2049.12	2044.90	1854.98	5.58	4.33	21.55	37.38
21 CONSUMER GROUP(234)	1642.22	+0.7	1631.80	1629.43	1628.03	1725.50	7.02	3.48	17.41	23.25
22 Brewers and Distillers(25)	1841.89	+1.6	1812.71	1829.49	1822.53	2225.71	8.78	3.98	13.83	30.03
25 Food Manufacturing(22)	1291.88	+0.1	1290.47	1290.87	1278.49	1277.84	7.57	3.92	15.95	22.09
26 Food Retailing(18)	3009.57	+1.9	2952.25	2917.13	2927.11	2906.40	8.48	3.47	14.95	36.84
27 Health & Household(28) †	3594.70	-0.1	3597.90	3600.83	3603.92	4158.82	6.37	3.16	18.07	41.20
29 Hotels and Leisure(20)	1262.92	+0.1	1261.86	1269.49	1261.30	[illegible]	6.75	4.58	18.54	25.51
30 Media(33)	1970.00	+0.6	1957.28	1938.05	1940.59	1849.05	5.05	2.51	24.46	23.43
31 Packaging and Paper(24)	850.00	+0.7	844.21	841.90	839.20	843.78	5.54	3.41	22.13	10.68
34 Stores(35)	1137.02	+0.5	1131.25	1132.83	1138.92	1114.61	6.50	3.18	[illegible]	16.55
35 Textiles(20)	800.75	—	800.85	798.98	798.89	744.78	5.75	3.83	22.10	11.03
40 OTHER GROUPS(142) †	1489.80	+0.1	1489.01	1482.73	1470.50	1335.28	7.72	4.28	15.72	18.19
41 Business Services(27)	1606.52	+0.9	1591.65	1585.46	1560.10	1487.68	5.87	3.14	20.31	14.38
42 Chemicals(23) †	1495.02	-0.3	1499.75	1493.09	1487.67	1589.48	5.88	4.86	21.07	28.89
43 Conglomerates(11)	1438.39	-0.9	1452.08	1453.24	1447.80	1420.97	7.30	5.23	15.43	29.85
44 Transport(16)	2950.44	+0.2	2944.82	2925.86	2911.93	2697.61	6.13	3.85	20.09	42.52
45 Electricity(16)	1738.80	+1.0	1719.67	1710.33	1704.82	1311.55	12.49	4.27	10.30	29.90
46 Telephone Networks(4)	1762.21	-0.7	[illegible]	1776.41	1723.58	1476.19	5.71	3.79	21.70	1.65
47 Water(13)	3380.05	-0.3	3389.55	3308.47	3325.12	2884.75	13.38	5.01	[illegible]	11.65
48 Miscellaneous(32) †	2264.68	+1.3	2234.70	2227.47	2244.60	2138.52	7.41	4.51	16.25	42.81
49 INDUSTRIAL GROUP(588)	1439.88	+0.2	1436.56	1433.27	1428.03	1399.16	6.81	3.89	[illegible]	19.65
51 Oil & Gas(19)	2469.25	—	2468.27	2463.42	2456.11	[illegible]	5.61	4.40	22.83	48.01
59 "500" SHARE INDEX(607) †	1532.58	+0.2	1529.38	1524.57	1519.11	1473.84	6.67	3.92	18.62	21.88
61 FINANCIAL GROUP(90)	1022.74	—	1022.72	1022.64	[illegible]	777.95	3.99	4.18	35.95	20.19
62 Banks(9)	1415.54	+0.1	1414.18	1416.43	1407.29	984.72	4.87	3.81	27.84	28.48
65 Insurance (Life)(6)	2018.25	+0.3	2012.37	[illegible]	1995.63	1545.53	4.77	[illegible]	28.44	47.49
66 Insurance (Composite)(7)	623.33	+0.1	622.70	620.62	623.94	535.01	‡	4.99	‡	15.60
67 Insurance Brokers(10) †	784.26	-1.0	792.23	792.23	793.74	1000.18	7.26	4.65	18.43	14.24
68 Merchant Banks(6)	878.37	+1.4	866.67	871.09	871.70	513.52	6.93	3.30	18.10	4.71
69 Property(28)	860.76	-1.3	871.83	872.29	870.23	718.06	6.23	4.65	25.66	13.95
70 Other Financial(23)	357.84	—	358.02	358.50	358.63	289.11	6.86	4.04	19.88	4.17
71 Investment Trusts(106)	1481.00	+0.6	1471.88	1488.95	1485.68	1257.80	2.22	2.78	45.03	18.49
99 FT-A ALL-SHARE(804)	1409.17	+0.2	1406.50	1402.83	1397.91	1307.66	6.13	3.92	20.42	21.15

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2850.3	2846.6	2850.2	2851.3	2851.1	2853.5	2854.3	2858.4	2854.8	2860.5	2844.1
FT-SE Mid 250	3175.0	3173.8	3168.6	3168.0	3170.0	3171.2	3170.9	3171.3	3169.2	3178.4	3168.5
FT-SE-A 350	1421.3	1419.8	1420.8	1421.1	1421.2	1422.2	1422.6	1424.1	1422.5	1425.0	1418.5

Time of FT-SE 100 high: 14.40 ; low: 9.10

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrn	1899.1	1885.6	1863.6	1863.5	1861.3	1861.3	1867.1	1869.3	1864.6	1864.6	1901.0	-36.4
Health&H	1082.9	1081.5	1081.8	1081.0	1081.0	1082.5	1082.4	1087.2	1083.6	1082.9	1083.8	-0.9
Water	[illegible]	1386.6	[illegible]	1387.4	1387.2	1388.9	1382.7	[illegible]	1384.8	1386.7	1390.8	-4.1
Banks	1723.7	1722.9	1720.9	1722.2	1717.8	1717.1	1717.0	1717.1	1718.7	1719.4	1718.2	+1.2

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. § Following technical problems, yesterday's table contained incorrect percentage changes and some index levels for May 26. May 25 index values were also published incorrectly. The above data is now correct. † Correction.

US tax sellers hit ICI

THE RAPIDLY approaching break-up of ICI saw the chemical giant's shares crank downwards against the market ahead of the key meeting today to give the final nod to demerger. On Tuesday, the chemical rump is set to begin trading as ICI and the bioscience side as Zeneca.

Yesterday's slide was inspired by selling of ICI shares in the US, where funds currently holding a total of some 8 per cent of the outstanding equity face a tax charge. The new Zeneca shares are to be treated as income in the US and some investors are expected to sidestep the tax burden by selling ICI and using the cash raised to buy into ICI "new" or Zeneca afterwards.

The situation was the same in the UK but the company instigated a test case in April which ruled that Zeneca shares could be treated as capital. Existing ICI shares fell 12½ to 1255p yesterday. ICI new lost 10 to 614p in spite of weighty research by Smith New Court, which expects the slimmed down company's earnings to treble between now and 1995.

James Capel, however, feels that earnings recovery is already discounted by the current price and prefers Zeneca, which was marginally firmer yesterday at 640p ex-rights, and 3 ahead at 44p in the nil-paid stock.

Power boosts

The market gave the thumbs up to a solid set of profit figures from National Power but was much more enthusiastic towards the 16.2 per cent increase in the dividend total, a final boosted by the proposed 1.5p final dividend. Dealers were pleased with the not unexpected final dividend which followed the second interim payment made after the budget changes.

Much of the latest bout of buying interest in National Power was said to have come from overseas, with Salomon International a big buyer. Mr Michael Sayers, utilities analyst at Salomon, acknowledged that Salomon clients had been aggressive buyers. "The figures were in line but the 16.2 per cent dividend increase is an indicator of dividend growth prospects moving on to a higher plane after the coal contract," he said.

At the close National Power shares were 11 firmer at 346p after heavy turnover of 6.3m. PowerGen added 11½ at 358p with 4.4m traded. The Scottish generators also performed well, Hydro moving up 6 to 341p and Power 6½ to 321p.

Gas in demand

British Gas was the heaviest traded stock on the London market as UK and overseas funds switched out of the BP and Shell. Turnover in Gas was, however, inflated by a sizeable bed and breakfast, or tax-related, deal.

Oil sector specialists said the oil majors had strongly outperformed Gas since the start of the month as the market reacted sharply to worries about regulatory intervention and about the outcome of the inquiry into Gas by the Monopolies and Mergers Commission, which is due to report in July. Both BP and Shell were helped by excellent quarterly results released earlier in the month.

Gas edged up 4 to 294p, boosted by rumours emerging from the traded options market that the MMC inquiry was turning in Gas's favour. BP eased a penny to 311p and Shell lost 2½ to 611½p, sentiment unsettled by a profits warning from Elf, the French state owned oil company.

Recent buy notes from Kleinwort Benson and Salomon International continued to support Lasmo, up 2 to 153p, while rumours of a gas discovery in the North Sea and expected good news from two other wells, helped Goal improve to 50p. Premier edged up to 28½p as the market looked forward to results from the latest drilling operations off the Burmese coast.

TV activity

Reports that the 'big nine' UK television companies will shortly be allowed to bid for each other prompted activity among a number of TV stocks. Of the nine, the two strongest bid candidates are seen as HTV which jumped almost 10 per cent, rising 4 to 50p, and Anglia, which lifted 9 to 296p. Of the potential bidders, Carlton added 17 at 756p, although more on consideration of results earlier in the week. Central, which might be poised to launch a bid for Anglia but could be attacked by Carlton as it already owns 20 per cent, rose 15 to 1888p.

Ulster TV, which would not be affected by any regulatory changes and which is unlikely to attract a bid because of the political nature of its region, rose 18 to 414p. A large buyer in Scotland was said to be responsible.

A strong US recommendation for Reuters Holdings was given added impetus as S.G. Warburg reiterated its support for the stock. The shares threatened to test the 1400p level at one point and settled 21 higher at 1373p.

Expectations of improved trading news from Tesco at today's agm led a resurgence in food retail stocks. The rise was underpinned by a feeling in the market that the bad news in the sector was now in the price and several stocks were beginning to look cheap.

Fears over margins being squeezed by dicount operators in what is seen as a maturing market has seen several brokers turn bearish on the sector this year. However, recent sessions have been punctuated by the odd change in sentiment, and this week's results from **Argyll Group** prompted a flurry of positive recommendations. Yesterday, shares in Tesco sprinted 7¼ to 220¼p, **J Sainsbury** 12 to 487p and Argyll 8½ to 336½p.

The £199m cash call from **Hammerson** was widely predicted and the 'A' shares rose 4 to 344p. The ordinary shed 7 to 373p. But the move gave an excuse for profit-taking in other property stocks, which have been strong performers in recent sessions.

Sedgwick's £41.5m convertible bond issue triggered switching from the ordinary to the convertible stock which was said to have been snapped up by Continental investors. The shares fell 4 to 163p.

S.G. Warburg raced up 23 to an all-time high of 717p after well received preliminary figures.

Guinness recovered strongly on positive market comment following the agm on Wednesday. Then, the shares fell on the back of a profits warning, although this was seen by drinks specialists as a knee-jerk reaction to a widely forecast situation. The shares added 15 to 475p. Guinness's talk of US recovery helped **Grand Metropolitan**, up 8 at 395p.

Strong results from **Morland** saw the shares gain 12 to 500p, cheering other regional brewers. **Mansfield Brewery** climbed 12 to 500p, **Wolverhampton & Dudley** 9 tp 509p and **Greene King**, which has a substantial holding in Morland, 9 to 554p.

Dealers said Glaxo suffered at the hands of US options traders. The drug group's shares had been up 4 at one stage but a very large trade in puts, options to sell shares at a fixed price and on a certain date, right across the pharmaceutical spectrum rippled through to the London market where the shares ultimately closed 5 lower at 612p.

Despite a cautious agm statement, **Inchcape** continued to benefit from a brokers recommendation made earlier this week and a gentle squeeze. The shares hardened 11 to 587p.

An upbeat statement from industrial group **Suter** at its annual meeting sent the shares 9 forward to 153p. The company has increased its stake in engineering group **James Wilkes**, a penny easier at 80p, to 16.45 per cent.

Smiths Industries came under pressure with NatWest Securities reported to have had a large line of stock on its books. The shares closed 5 lower at 334p.

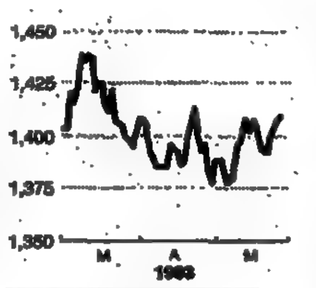
Shrugging off an MMC report critical of its contact lens buiness, **Boots** surged 8 to 437p. Dealers said the stock benefited from improving sentiment after recent underperformance.

Confectioner Thorntons retreated 26 to 144p as it announced a restructuring of its French operations.

MARKET REPORTERS:
Christopher Price,
Steve Thompson,
Joel Kibazo, Peter John.

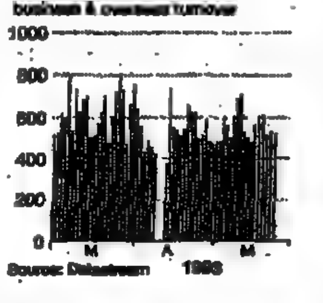
■ Other statistics, Page 22

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	May 27	May 26	May 25	May 24	May 21	Year ago	*High	*Low
Ordinary share	2213.7	2208.6	2208.5	2193.8	2187.4	2114.1	[illegible]	2124.7
Ord. div. yield	4.21	4.23	4.24	4.26	4.25	4.36	4.52	4.07
Earning yld % full	6.11	6.13	6.15	6.14	6.13	6.30	6.38	5.79
P/E ratio net	20.02	19.96	19.90	20.04	20.05	19.88	[illegible]	[illegible]
P/E ratio nil	19.75	19.70	19.69	19.70	19.71	19.18	20.30	18.14
Gold Mines	197.1	202.7	[illegible]	200.3	195.3	108.3	202.7	90.0

*For 1993. Ordinary share index since compilation: high 2289.5 10/5/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2208.5	2208.2	2209.4	2210.3	2212.5	2215.1	2216.8	2217.4	[illegible]	[illegible]	[illegible]

Volume	May 27	May 26	May 25	May 24	May 21	Year ago
SEAQ Bargains	27,235	27,434	27,891	28,748	33,158	32,847
Equity Turnover(£m)†	-	1430.5	1296.2	1061.7	1434.5	1238.7
Equity Bargains†	-	31,585	32,155	[illegible]	38,828	38,578
Shares traded (mil)†	-	527.4	529.3	507.6	[illegible]	532.8

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (186).
BANKS (13) Asahi, Dai Ichi, Mitsubishi, Mitsubishi T & B, Mitsui, Natl. Australia, Sakura, Sanwa, Sumitomo, Sumitomo T & B, Tokai, Toyo, Yasuda, BREWERS (3) Mansfield, Morland, Wetherspoon (JD), BLDG MATLS (4) [illegible], RMC, Sheffield Instns., Wickes, BUSINESS SERVS (4) BET, Brit. Data Mangmt., Chubb Sec., Page (M), CHEMS (4) European Colour, Hickson, Holliday, Porvair, CONGLOMERATES (1) Harrisons & Crosfield, CONTG & CONSTRCN (4) Maunders (J), Sheriff, Try, Wescol, ELECTRICALS (5) Chloride, Clarke (T), Kembrey, Motorola, NEC, ELECTRICITY (1) PowerGen, ELECTRONICS (2) Cray, Enterprise Cmptr., ENG GEN (3) Adwest, Hill & Smith, Rotork, FOOD MANUF (1) Carr's Milling, FOOD RETAILING (1) Greggs, HEALTH & HSEHOLD (4) CrestaCare, Kynoch, Paterson Zochonis, Do N/V, HOTELS & LEIS (2) Ex Lands, Magnolia, INSCE COMPOSITE (1) Mitsui, INV TRUSTS (38) Aberforth Split Level Cap., Do Units, Brit. Empire Secs., EFM Dragon Wrts., Electric & General, Fidelity European Values Wts., Do Units, Finsbury, Flemg. Far Eastern, For. & Col. Smlr. Co's, Gartmore Scot. Cap., General Consld. Cap., Govett Oriental, Henderson Strats, JF Pacific Wrt., Keystone, Lloyds Smlr. Co's Cap., M & G Dual Cap., Martin Currie Pac., Do Wrts., Mezzanine Cap., Murray Enterprise, Do Zero Cv. '94, Murray Split Cap., New Throgmorton Cap., Pantheon Intl., Pilot Inv., RIT Capital 2½pc Cv. '00, River & Merc. Cap., Do Geared Prf., Scottish Asian Wts., Second Consld., Smaller Co's Inv., TR Smlr. Co's, Throg. Dual Inc., Turkey Tst., Venturi Cap., Yeoman Cap., MEDIA (9) Anglia TV, Central ITV, City of Lon., Flextech, Southnews, Telegraph, Trinity, Ulster TV, Watmoughs, MERCHANT BANKS (3) Close Bros., Warburg (SG), Do 6pc Cv. Pf., MTL & MTL FORMING (2) Cook (Wm), Kobe Steel, MISC (8) Alumasc, Brit. Thornton, Charming, Christies, LGW, Sotheby's, Spandex, Tarns (J), MOTORS (1) Burndene, OIL & GAS (6) Aran, Crusader, Gt. Western, Kingston, Monument, Shell, OTHER FINCL (6) Broadcastle, Edinburgh Fd. Mngrs., Ivory & Sime, Mercury Asset Mngmt., Perpetual, Swire Pac., PACKG, PAPER & PRINTG (3) API, Barrose, Wood (SW), PROP (7) Bilton, Chesterfield, Daejan, HK Land, Olives Prop., Shaftbank, St Modwen, STORES (3) Courts, Etam, Kleeneze, TEXTS (4) Dewhirst, Lamont, Leeds, Shiloh, TRANSPORT (3) Assoc. Brit. Ports, Dawsongroup, Powell Duffryn, PLANTATIONS (1) Anglo-East, MINES (6).
NEW LOWS (8).
BREWERS (1) Merrydown, BLDG MATLS (1) St Gobain, CHEMS (1) Fiyou, FOOD RETAILING (1) Thorntons, INV TRUSTS (1) SPRAIT, OTHER FINCL (1) Caledonia 6.3pc-13.3pc Pfg, Invs., OTHER INDLS (1) English China Clays, PROP (1) Conrad Ritblat SG.

EQUITY FUTURES AND OPTIONS TRADING

VOLUME IN stock index futures showed a marked improvement from the previous three sessions, inspired by increased activity from leading securities institutions, writes Joel Kibazo.

The opening trade in the FT-SE June contract on the FT-SE 100 was recorded at 2,860, but after an initial advance it went into retreat when a leading securities house came into the market as a seller. This sent June falling to 2,850 and turned out to be the first sign that the larger institutions had spotted opportunities to trade; lack of interest by these large funds had been a significant feature of the previous three sessions.

When the selling order had been completed, June moved steadily forward for the rest of the morning, with the news of the government reshuffle making little impact on trading.

The afternoon brought a further advance and the day's high of 2,869 came around 2.30pm, although a late bout of profit-taking meant June was unable to sustain earlier momentum. It finished at 2,862, up 8 from its previous close and around 3 points ahead of its estimated fair value premium to cash of 5 points. Turnover improved to 8,911 contracts.

Volume in traded options was 26,462 lots. Some 8,703 were dealt in the FT-SE 100 option and 2,278 in the Euro FT-SE option. GEC, Argyll Group and BP were the day's most active stock options.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 12½pc 1993‡‡	100⅝	—	103⅛	100⅝	12.36	5.66
Funding 6pc 1993‡‡	100	—	100¼	99⅞	6.00	5.64
Treas 13¾pc 1993‡‡	103⅜xd	—	105⅝	103⅜	13.24	5.61
8½pc 1994	101⅞	—	102⅞	101⅝	8.34	5.71
14½pc 1994‡‡	106⅝	—	109¼	106⅛	13.62	5.72
Exch 13½pc 1994	107	—	109⅝	106⅝	12.63	5.74
Treas 10pc Ln 1994‡‡	104⅛xd	+⅛	105⅝	104⅛	9.60	5.74
Exch 12¼pc 1994	107⅞	+⅛	110⅛	107⅞	11.39	5.90
Treas 9pc 1994‡‡	104¼	+⅛	105⅝	103⅞	8.64	6.06
12pc 1995	108⅜	+⅛	111⅝	108⅛	11.09	6.19
Exch 3pc Gas 90-95	95⅝	—	96⅝	94	3.14	5.41
10¼pc 1995	107⅛	+⅛	108⅜	107⅛	9.56	6.36
Treas 12¾pc 1995‡‡	114⅛	—	116⅝	113⅝	11.17	6.44
14pc 1996	117⅞	—	120⅝	117⅛	11.82	6.72
15¼pc 1996‡‡	121⅞	+⅛	125⅜	121⅛	12.60	6.66
Exch 13¼pc 1996‡‡	118⅜	—	120⅛	118⅛	11.34	6.86
Conversion 10pc 1996	109⅛	+⅛	111⅛	108⅝	9.14	6.90
Treas 13¼pc 1997‡‡	119⅝	+⅛	122⅛	119⅛	11.09	7.11
Exch 10½pc 1997	111⅛	+⅛	112⅝	110⅛	9.45	7.06
Treas 8¾pc 1997‡‡	105⅛	+⅛	106⅛	105⅛	8.25	7.07
Exch 15pc 1997	128⅛	+⅛	132⅛	127⅞	11.79	7.29
9¾pc 1998	109⅝	+⅛	112⅛	109⅛	8.90	7.26
Treas 7¼pc 1998‡‡	100⅛	+⅛	103¼	99⅛	7.20	7.08
7¼pc 1998 A‡‡	100⅛	+⅛	101⅛	99⅛	7.21	7.12
Treas 6¾pc 1995-98‡‡	96⅝	+⅛	100	97⅛	6.94	7.06
Five to Fifteen Years						
Treas 15½pc '98‡‡	134⅛	+⅛	138⅛	133⅛	11.55	7.50
Exch 12pc 1998	118⅝	+⅛	122⅝	118⅝	10.07	7.65
Treas 9½pc 1999‡‡	109	+⅛	112⅛	108⅛	8.72	7.52
Exch 12¼pc 1999	120⅝	+⅛	124⅛	120⅛	10.14	7.70
Treas 10½pc 1999	113⅛	+⅛	117⅛	112⅛	9.24	7.59
Conversion 10¼pc 1999	112⅛	+⅛	117⅛	112⅛	9.07	7.65
9pc 2000‡‡	107⅛	+⅛	110⅛	105	8.40	7.61
Treas 13pc 2000	128⅛	+⅛	131	125½	10.27	8.04
10pc 2001	111⅛	+⅛	114⅛	109⅛	8.96	7.90
14pc '98-1	125⅛xd	—	129⅛	125⅛	11.14	7.71
9¾pc 2002	110⅝	+⅛	114⅛	108⅛	8.81	8.09
8pc 2003‡‡	98⅛xd	+⅛	100⅛	97⅛	8.04	8.01

BRITISH FUNDS - Cont.

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
10pc 2003	112⅛	+⅛	116⅛	109⅛	8.91	8.20
Treas 11½pc 2001-4	118⅛	+⅛	122⅛	116⅛	9.79	8.23
Funding 3½pc '99-4	70⅛	+⅛	74⅛	67⅛	4.99	7.41
Conversion 9½pc 2004	108⅛	—	112⅛	105⅛	8.74	8.29
9½pc 2005	108⅛	+⅛	112⅛	105⅛	8.74	8.31
Treas 12½pc 2003-5	127	+⅛	131⅛	124⅛	9.84	8.63
7¾pc 2006‡‡(£35pd)	30⅛	—	30⅛	30⅛		8.32
8pc 2002-6‡‡	97⅛	+⅛	101⅛	94⅛	8.21	8.31
Treas 11¾pc 2003-7	121⅛	+⅛	125⅛	118⅛	9.71	8.49
Treas 8½pc 2007 ‡‡	100⅛	—	104⅛	97⅛	8.42	8.37
8½pc 2007 B‡‡	100⅛	—	104⅛	98⅛	8.42	8.37
13½pc '04-8	134⅛	+⅛	138⅛	131⅛	10.04	8.54
Over Fifteen Years						
Treas 9pc 2008 ‡‡	[illegible]	—	108⅛	101⅛	8.57	8.39
8pc 2009	96⅛	+⅛	99⅛	92⅛	8.31	8.43
Conv 9pc Ln 2011 ‡‡	104⅛	+⅛	108⅛	100½	8.63	8.57
9pc 2011 C‡‡	104⅛	+⅛	107⅛	94⅛	8.69	8.52
Treas 8pc 2012‡‡	104⅛	—	108⅛	100⅛	8.63	8.62
Treas 5½pc 2008-12‡‡	73⅛	—	76⅛	70⅛	7.48	8.21
Treas 8pc 2013‡‡	94⅛	—	97⅛	93⅛	8.44	8.53
7¾pc 2012-15‡‡	92⅛	+⅛	97⅛	89⅛	8.39	8.51
Treas 8¾pc 2017‡‡	101⅛	—	105⅛	97⅛	8.69	8.68
Exch 12pc '13-'17	130⅛xd	—	136⅛	125⅛	9.16	8.74
Undated						
Consols 4pc	46⅛	+⅛	46⅛	43⅛	8.64	–
War Loan 3½pc‡‡	40⅛xd	+⅛	42⅛	38⅛	8.64	–
Conv 3½pc '61 Aft.	61⅛	+⅛	63	60⅛	5.68	–
Treas 3pc '66 Aft.	35⅛	+⅛	36⅛	33½	8.68	–
Consols 2½pc	30⅛	+⅛	31⅛	28⅛	8.25	–
Treas. 2½pc	29⅛	+⅛	30⅛	27⅛	8.64	–

BRITISH FUNDS - Cont.

Index-Linked	Notes (b)	Price £	+ or -	1993 high	1993 low	Yield (1)	Yield (2)
Treas. 2pc '94	(102.9)	133⅛	+⅛	133⅛	131⅛	-	1.47
2pc '96	(67.9)	196⅛	+⅛	197⅛	194⅛	2.03	2.65
4⅝pc '98‡‡	(135.6)	109	+⅛	109⅛	108⅛	2.42	3.04
2½pc '01	(78.3)	165⅛	+⅛	165⅛	158	2.88	3.24
2½pc '03	(78.8)	162	+⅛	163⅛	155	2.99	3.29
4⅝pc '04‡‡	(135.6)	110⅛	+⅛	111⅛	105½	3.06	3.39
2pc '06	(69.5)	169⅛	+⅛	170⅛	160⅛	3.11	3.34
2½pc '09	(78.8)	152⅛	+⅛	154⅛	144	3.28	3.40
2½pc '11	(74.6)	157⅛	+⅛	159⅛	148⅛	3.38	3.44
2½pc '13	(89.2)	128⅛	+⅛	131⅛	122⅛	3.38	3.58
2½pc '16	(81.6)	138	+⅛	139⅛	130⅛	3.48	3.63
2½pc '20	(83.0)	132⅛	+⅛	133⅛	124⅛	3.51	3.65
2½pc '24‡‡	(97.7)	110⅛	+⅛	111⅛	102⅛	3.62	3.85
4⅛pc '30‡‡	(135.1)	110⅛	+⅛	111⅛	103⅛	3.60	3.87

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to January 1987. Conversion factor 3.945. RPI for September 1992: 139.4 and for April 1993: 140.6.

OTHER FIXED INTEREST

Notes	Price £	+ or -	1993 high	1993 low	Yield Int.	Yield Red.
African Dev 11¼ 2010	120⅛	+⅛	122⅛	115⅛	9.33	8.75
Asian Dev 10⅛pc 2009	113⅛	+⅛	116⅛	108⅛	9.06	8.67
B'ham 11½pc 2012	118½	—	123	114	9.70	9.42
Ireland Cap 8½pc '10	107⅛	—	107⅛	95	7.93	-
9pc Cap 1996	107⅛	—	107⅛	97½	8.38	-
13pc '97-2	120½	—	120½	110	10.79	-
Hydro Quebec 15pc 2011	143⅛	+⅛	146⅛	139⅛	10.42	9.77
Leeds 13½pc 2006	131⅛	—	135⅛	125	10.25	9.52
Liverpool 3½pc Irred.	36⅛	—	37	34	9.68	-
LCC 3pc '20 Aft.	32½	—	33⅛	30½	9.23	-
Manchester 11½pc 2007	117½	—	120⅛	114	9.78	9.31
Met. Wtr. 3pc 'B'	66	—	66	63⅛	4.85	8.02
N'wide Anglia 3⅞pc 2021	125⅛	—	128⅛	117½	-	4.66
4⅛pc IL 2024	122½	—	124⅛	115⅛	-	4.58
Utd Mex States 16½pc 2008	135⅛	—	139	132⅛	12.20	12.02

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	–1/16	20⅞	15⅞	15,012	2.4
Allegheny & W	♥	558p	—	605p	399p	290.0	3.4
Amdahl		348p	—	591p	302½p	390.8	0.9
Amer Cyanamid		33⅛	—	36⅞	31⅛	2,985	3.1
Amer Express		16⅞xd	+1/16	19½	14⅞	8,373	3.4
Amer T & T		40⅛xd	—	40⅞	33⅛	53,302	2.1
AmeriTech		49⅛	—	62⅛	46	20,329	5.0
BankAmerica		29⅛xd	+⅞	30⅛	27⅛	10,186	3.0
Bankers NY		48½xd	–1/16	51⅛	42⅞	3,732	4.2
Bell Atlantic		34⅞	—	39⅛	32⅛	15,097	4.8
BellSouth		33½	—	39⅞	32⅞	16,548	5.2
Bethlehem Steel	♥	12⅞xd	—	13⅛	10	1,171	–
Bowater		1392pxd	—	1689p	1335p	504.4	1.8
CPC		28xd	+½	34⅞	28	4,241	2.9
Cadiz Land Inc	♥	113p	—	115p	53p	–	–
California Engy		1369p	—	1478p	1088p	247.2	–
Chase Manhattan		20⅛xd	+⅞	24½	17⅞	3,180	3.7
Chrysler		28⅞xd	+1/16	28⅞	21⅛	8,364	1.5
Citicorp		18⅞xd	+1/16	20⅞	13⅞	6,785	–
Colgate-Palm		38⅛xd	–1/16	45⅛	35⅛	6,157	2.0
Cont'l Bank		1628p	—	1677p	1278p	1,545	2.9
Dana		33⅞xd	+1	34⅞	28⅞	1,541	3.6
Data General		720p	—	951p	503p	190.7	–
Dacosa Inds	♥	122p	—	146p	109p	–	–
Dun & Brad		38½	—	42⅛	37⅞	6,862	4.0
Eaton		56⅛	—	59⅞	50⅛	1,954	2.5
Echlin		17⅛xd	+1/16	18⅞	15⅛	992.2	2.6
FPL		24⅞xd	+⅛	27⅞	23⅛	4,417	6.4
Ford Motor		33⅞xd	+⅞	36½	28⅞	16,594	1.9
Gen Elect		59⅞xd	+1/16	62⅛	53⅞	61,135	2.7
General Host	♥	591p	—	729p	566p	–	3.6
Gillette		33½xd	–⅛	42⅞	31½	7,361	1.6
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.7
Honeywell		23⅞xd	–1/16	24⅞	20⅞	3,271	2.4
Houston Inds		28⅛	—	33⅛	28⅛	3,723	6.6
Ingersoll-Rand		22⅛xd	+1/16	25	19⅞	2,311	2.0
Lockheed		39½	—	42⅞	35⅛	2,423	3.4

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

Name	Notes	Price	+or-	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Glencar Expl IR	‡‡	12	—	12	6	3.22	–
Greenwich Res	♣□	21½	+½	21½	5	15.4	–
Harmis Gold CS		[illegible]	—	[illegible]	53½	[illegible]	1.4
Jersale West IR	‡‡□	51	—	57	31	[illegible]	–
Kenmare	♣□	16½	—	19½	6	10.5	–
Malinga Res.		14	—	18½	14	1.54	–
Nevan Res IR	♣	43	—	43	25	6.78	–
8pc Ln Notes		42	—	42	25	7.14	–
Oryx Gold		[illegible]	—	71	47	–	–
‡‡Ovoca Res IR		3½	—	3½	3½	0.26	–
RTZ	♣N□	[illegible]	–3	[illegible]	607	[illegible]	4.0
Vizcaya	♣	6¼f	—	6¼	2¼	3.05	–

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated with the name.

Symbols referring to dividend issues appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Mondays.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm –) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

[illegible]

annualised dividend latest annual earnings. xr ex rights;
yield, p/e based on ‡‡ Yield based on xa ex all;
previous year's earnings prospectus or other xd ex capital distribution.

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♠) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A3AS. 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	5	262.1	262.1	275.1	-0.4	0.71
S & W Capital	5	116.4	116.4	124.8	+0.8	1.41
S & W Cash	0	100.83	100.83	100.83	+0.01	5.30
S & W European	5	109.8	109.8	116.1	-1.0	1.40
S & W Far Eastern	5	147.1	148.7	157.3	+1.8	0.00
S & W Growth	5	125.2	126.7	134.1	+0.4	1.34
S & W Income	6	112.1	113.3	119.8	+0.5	4.56
S & W Magnum	5	122.6	122.5	131.5	+0.3	1.00
S & W Smllr Cos	5	314.9	321.3	340.0	+1.3	0.61
S & W Thoroughbred	5	141.9	141.9	152.4	+0.3	1.51

For Societe Generale Touche Remnant see Henderson

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd Bournemouth 0202 298422

Standard Life Tst Mgmt Ltd (0730)H
3 George St, Edinburgh EH2 2XZ 0800 393777

Waverley Unit Tst Mngmt Ltd (1000)F
13 Charlotte Sq, Edinburgh 031-225 1551

Whittingdale Unit Tst Mngmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0482

Woolwich Unit Trust Managers Ltd (1700)H
2 White Cut Square, Sevenoaks BR8 7AG 081-298 4000

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Expt May 19	656.9	678.5	-	1.10

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY 071-214 1004 (dealing)

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England
2 Fore Street, London EC2Y 5AQ 071-588 1815

Charinco/Charishare (1000)F

CAFINVEST–Charities Aid Foundation
0732 771333

COIF–Charities Official Inv Fd
2 Fore Street, London EC2Y 5AQ 071-588 1815

Charity Fixed Int Fd/Charity Equity Fd

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court*

*Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Albany Life Assurance Co Ltd - Contd.

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

American Life Insurance Co UK

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Ltd

Canada Life Group

Century Life Plc

Century Life Plc - Contd.

Citibank Life

City of Westminster Assurance

Clerical Medical Investment Group

Colonial Mutual Group

Commercial Union Group

Confederation Life Insurance Co

Crusader Insurance plc

Eagle Star Insur/Midland Assur.

Equitable Life Assurance Society

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Ins Plc

Guardian Royal Exchange

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd

Hill Samuel Life Assur. Ltd - Contd.

Homeowners Friendly Society

Ideal Insurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Life

London & Manchester Assurance

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance

Mercury Life Assurance Co Ltd

Midland Life Limited

NM Life Assurance

N & P Life Assurance

National Mutual Life

National Westminster Life Assce Ltd

Norwich Union Life Insurance Soc.

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Jersey Gilt Ut	5¼		0.1896	0.1897	+0.005	8.01
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Int. Ltd	3½		10.180	10.200	+0.040	7.58
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Standard Bank Fund Mgmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Peseta dips below central rate

THE SPANISH peseta came under heavy selling pressure against the D-Mark in the European exchange rate mechanism yesterday, falling below its new central rate against the German currency and raising speculation that it might have to be devalued again, *writes James Blitz*.

The peseta fell as a result of the growing feeling that Mr Felipe Gonzalez, Spain's socialist prime minister, would lose the forthcoming general election and that Spanish interest rates would come down in a bid to stimulate the economy.

After closing in London on Wednesday night at Pta77.88 against the D-Mark, the peseta plunged to a low of Pta79.50, beyond its central rate against the D-Mark of Pta79.11.

The currency later recovered to close in London at Pta78.83. Several dealers suspected yesterday that the currency was ripe for another devaluation.

However, Mr Neil MacKinnon, chief economist at Citibank, felt that departure from the ERM was unlikely because Spain won large EC aid at last year's Edinburgh summit. Mr Mark Brett of BZW believes the currency might hold at current levels because Spanish bond yields are an attractive 4 per cent above Germany's.

The Spanish currency's fall raised some fears about the stability of the ERM, triggering short-term currency flows into the D-Mark.

However, there was widespread belief that the D-Mark had also profited from comments made earlier in the week by Mr Erik Hoffmeyer, the Danish central Bank Governor, who had been reported as saying that the European monetary system had effectively broken down. "That was the most blunt condemnation of the ERM from a central bank governor that I have heard for a year," said one analyst.

The D-Mark was up nearly a centime against the French franc at one stage, later closing at FFr3.371 from a previous of FFr3.368. The German currency also closed 2 pfennigs stronger against the dollar at DM1.6120. Heavy buying of Swiss francs was also reported with the currency, which is often seen as a safe haven, closing at SFr0.891 against the D-Mark from a previous SFr0.896.

Sterling fell back 1¼ pfennigs against the D-Mark on the day Mr Kenneth Clarke was selected as the new UK Chancellor, closing at DM2.5075.

The pound's weakness was partly due to speculation that Mr Clarke, who is left-of-centre in the conservative party, might introduce another base rate cut to stimulate the economy. But the pound's retracement was also explained by heavy technical resistance at DM2.52. "There has been widespread profit-taking and people are taking another look at sterling," said one dealer.

The dollar slipped lower against the yen in Europe despite two bouts of intervention from the Federal Reserve. The dollar closed at Y107.80 from a previous Y108.60.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 27	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	187.601	-2.72	3.58	46
Irish Punt	0.808628	0.800228	-1.04	1.82	47
Belgian Franc	40.2123	40.0813	-0.33	1.08	18
Dutch Guilder	2.19672	2.18944	-0.33	1.09	17
Spanish Peseta	154.250	154.122	-0.08	0.84	1
D-Mark	1.94964	1.95277	0.16	0.60	-16
Danish Krone	7.43679	7.48089	0.59	0.16	-47
French Franc	6.53883	6.58848	0.76	0.00	-48

£ IN NEW YORK

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
116	1.22	-	-	-	0.80	0.78
117	0.22	0.90	1.10	-	0.87	1.11
118	-	0.47	0.73	-	1.45	1.57
119	-	0.20	0.41	-	-	-
120	-	0.09	0.23	-	-	-
Open Int	136,990	114,090	28,886	184,337	94,748	13,867

Estimated volume 38,483 † Total Open Interest 565,433

† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
•Henry Ansbacher	6	Exeter Bank Limited	7	•Rea Brothers	6
B & C Merchant Bank	6	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	•Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	•Smith & Williamson Secs	6
Bank of Cyprus	6	•Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	•Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	•United Bk of Kuwait	6
Barclays Bank	6	•Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
•Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	•Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

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MONEY MARKETS

Clarke stimulates bears

STERLING money market dealers yesterday contradicted the views of their colleagues in currency markets, taking the view that another near-term cut in UK base rates was less likely after Mr Kenneth Clarke was appointed as the UK's new chancellor, *writes James Blitz*.

As news filtered out yesterday morning that Mr John Major was planning to reshuffle his cabinet, dealers in sterling futures bid the near term contracts up to new highs.

UK clearing bank base lending rate 6 per cent from January 26, 1993

A strong view in the market is that the Major government has sought an escape from its political difficulties by cutting base rates in an attempt to stimulate the economy. as news emerged that a reshuffle of the cabinet was imminent, the June short sterling contract rose 4 basis points to 94.09 and the September contract another 5 basis points higher to 94.25.

After the announcement of Mr Clarke's appointment, the market retraced sharply. In part, this may have been due to the "buy on the rumour and sell on the facts" principle.

But several dealers accepted that a new chancellor would be unlikely to cut base rates at time when he needed to establish credibility with foreign exchange markets.

The June contract closed at 94.04, down 1 basis point on the day and the September contract closed 6 basis points down at 94.14. At this level, dealers are still contemplating the idea that base rates could go down.

Sterling cash rates were mostly unchanged on the news. Three month money closed unchanged at 5⅞ per cent. The overnight rate of lending dropped to about 4 per cent on the back of a shortage of £800 which was easily despatched.

In Europe, yesterday's strong performance by the D-Mark gave a lift to Euromark futures and upset the recent trend of bullish thinking about French franc interest rates coming down.

The D-Mark's strength was mostly the product of intense selling of the Spanish peseta. But the German currency's rise of nearly a centime against the French franc raised speculation that France might not be able to continue pushing official rates below German ones with the same *esprit*.

The September Pibor contract therefore dropped 14 basis points on the day to close at around 93.18. Three-month French francs also rose from 7.37 per cent to 7.43 per cent.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,162 Set by DINMUTZ

ACROSS

1 Sally has wild acres in ancient hamlet (9)
6 Males in trouble in scene of Witch-hunt (5)
9 I would take on a house in that state (5)
10 Called in to mend a fuse? (9)
11 Painter of a highland region (10)
12 Fairy who looks through one? (4)
14 Cool notice, we hear, for M (7)
15 Magnificent here, under the linden-tree! (7)
17 Wise men state what is enchanting (7)
19 Square tarry? Don't hang about, then, like this! (7)
20 Music foundation (4)
22 Contracts for green teams to merge (10)
25 One should always pocket litter (9)
26 Deliver address from Bognor at Easter (5)
27 Diana, perhaps, in the spring? (5)
28 Poor exist miserably, one may explain (9)

DOWN

1 Country, say, of Lamentations? (5)
2 Beginning around Leatherhead – how extraordinary! (9)
3 Many like to marry, to tie such a knot (5-5)
4 Worm of inland earth, possibly? (7)
5 "The King and I" – old records the Japanese put on (7)
6 Grit of Chopin's inamorata (4)
7 Turner's city article (5)
8 DIY firm, we turn out helping with deliveries (9)
13 Continent where I mess about, wantonly (10)
14 His studio pictures may be seen by millions (9)
16 Overseas manager and mean worker (9)
18 Brown coal left to burn (7)
19 Partly cover a plover in the wild (7)
21 Soldier in support of French horn, the queen's favourite (5)
23 Steep fine (5)
24 Amusement with daughter Kitty (4)

Solution to Puzzle No.8,161

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close May 27

[illegible]

MONTREAL

4 pm close May 27

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

[illegible]

"Saturday May 22: Taiwan Weighted Price; 4,255.43, Korea Comp Ex. 735.34.

*Calculated at 15.00 GMT

[illegible]

TOKYO - Most Active Stocks

Thursday, May 27, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Hitachi Zosen	11.7m	614	-1	Kumagumi	7.7m	1,180	+110
UBE Industries	11.2m	459	+10	Daido Steel	7.7m	606	+60
Sumitomo Bank	10.0m	2,250	+60	Mitsubishi Heavy	7.6m	716	-15
Japan Metal	8.6m	780	+63	Nippon Steel	7.5m	405	
NKK	8.5m	339	-4	Tobu Railway	7.3m	880	+20

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FINANCIAL TIMES

FAR MORE THAN FINANCE.

4 pm close May 27

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅜	11½	AAR Corp	0.48	3.6	25	136	13⅞	13⅝	13¾	+⅛
27¾	20	A L Labs A	0.18	0.7	48	235	26¾	26⅜	26½	+⅛
63½	54⅜	AMP Inc	1.60	2.6	22	2249	62¼	61⅝	61¾	
72⅞	55½	AMR			11	6711	72¼	71¼	71⅜	-⅜
2¼	1¾	ARX			12	108	2⅛	2	2	-⅛
51½	29⅞	ASA	2.00	4.0	32	1115	49⅝	47¾	49½	+1⅝
30¾	22⅞	Abbott Lab	0.68	2.6	17	7929	27⅞	27¼	27⅜	-½
12⅝	10¼	Abitibi Pr	0.50	4.2	4	11	11⅞	11¾	11⅞	
11¾	10⅞	ACM Gvt In	0.96	8.3		199	11⅝	11½	11½	-⅛
9¾	9⅛	ACM GvOpp	0.80	8.3		220	9⅝	9½	9⅝	
9⅝	8¾	ACM Gvt Sp	0.80	8.4		283	u9⅝	9½	9½	
11⅜	10½	ACM Gvt Se	0.96	8.6		427	11⅛	11	11⅛	-⅛
11	9⅝	ACM Man	1.08	9.9		77	10⅞	10¾	10⅞	+⅛
9⅜	8⅝	ACM Managd	0.72	8.0		100	9⅛	9	9	-⅛
11	7¾	Acme Cleve	0.40	3.7	13	69	u11	10⅝	10¾	-¼
9¼	6½	Acme Elect			237	5	7⅛	7⅛	7⅛	+⅛
16	11⅝	Acuson			13	494	11⅞	d11⅝	11⅞	+⅛
22¼	19⅝	Adams Expr	0.48	2.2	1	368	21½	21¼	21½	+¼
66	45½	Ad Micro	3.00	5.0		214	61⅞	60½	60½	-1
32¾	17⅝	Ad Micro P	3.00	10.2	12	8080	30¾	29½	29½	-1
7¾	5½	Advest Grp	0.16	2.7	10	54	6	5⅞	6	
24¾	20¾	Advo Inc	0.06	0.3	23	183	21½	21⅜	21⅜	-⅛
49⅜	41⅛	Aegon ADR	2.95	6.3	9	289	47	45¾	46¼	+1
54⅞	43⅜	Aetna Lf	2.76	5.1	138	1230	54⅛	53⅝	54	-¼
14½	11½	Ahl A	0.28	2.1	26	808	12⅞	12¼	12⅜	-⅛
40¼	33	Aflac	0.50	1.3	17	2345	38¾	38⅛	38¾	+½
22⅛	16¾	Ahmanson	0.88	4.8	21	2678	19⅛	18⅝	18½	-¼
7¾	4⅝	Aileen Inc			7	64	5¼	5	5	-¼
48½	40⅜	Air Pr Chm	0.86	2.0	17	4108	44⅛	43⅜	43½	
24⅞	18⅛	Airborne Frt	0.30	1.2	102	1248	u25¾	25½	25½	+⅝
30⅞	18¼	Airgas Inc			38	531	u31½	30⅝	31⅛	+¾
14½	10½	Airlease	1.60	11.1	11	32	14⅜	14	14⅜	+¼
105	101	AlaP8.16 x	8.16	8.1		z20	101	d101	101	
105½	102½	AlaP 8.28C x	8.28	8.0		1	104½	103½	103½	
18	15⅝	Alaska Air	0.20	1.2	[illegible]	504	16¼	15¾	16	-¼
17¾	14¼	Albany Int	0.35	2.2	116	296	16⅜	16¼	16¼	+⅛
28¾	23½	AlCulvr B	0.26	1.0	19	79	27½	26⅞	26⅞	[illegible]
25¼	21⅞	AlCulvr A	0.26	1.1	18	74	24¾	24½	24½	-⅛
59¼	46⅞	Albertsons	0.72	1.3	22	5030	55⅝	55⅛	55¼	+¼
19¾	16⅞	Alcan Alum x	0.30	1.5	32	2092	19½	19¼	19⅜	
48½	35¾	Alco Stand x	0.96	2.0	20	422	u48⅞	48¼	48⅞	+½
24⅝	19⅝	AlexBrown	0.50	2.2	6	475	22⅝	22	22⅝	+⅝
28⅞	24	Alexr Alex	1.00	3.8	23	2480	26¼	26	26	+⅛
44⅝	34	Allegh Lud	0.96	2.2	25	415	44⅜	44⅛	44⅜	
53½	46⅞	Allegh Pow	3.24	6.2	14	140	52⅝	52¼	52⅜	-⅛
40⅝	29	Allen Gp	1.75	4.2		1069	u42⅞	40⅝	42	+1⅜
40⅝	25⅞	Allen Con	0.24	0.6	23	824	u42¼	40½	42	+1⅝
26⅜	21¼	Allergan x	0.40	1.6	14	490	24⅝	24⅜	24⅜	-¼
23¼	16¾	Allnce Cap	1.36	6.9	15	156	20	19⅝	19⅝	
10¼	9⅜	Allnce Gl	0.18	1.9		86	9½	d9⅜	9⅜	
24⅜	16¾	Alld Insh	0.92	4.0	14	6	23¼	23	23	
70½	57½	Alld Sig x	1.16	1.7	18	3359	67⅜	66⅝	67	
11⅜	9⅞	AlstMunTr	0.78	6.9		158	u11⅜	11⅛	11¼	
9⅞	7½	AlstIncOp	0.63	7.3		401	8¾	8½	8⅝	
10½	8⅛	AlstMnInc	0.72	7.7		138	9⅝	[illegible]	9⅜	
10¼	8⅞	AlstMnInc	0.60	5.9		27	10⅛	10	10⅛	
[illegible]										

Continued on next page

NYSE COMPOSITE PRICES

4 pm close May 27

Continued from previous page

1993 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NASDAQ NATIONAL MARKET

4 pm close May 27

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMEX COMPOSITE PRICES

4 pm close May 27

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
Acton Cpr		0	8	4	4	4	
Air Expr	0.14	12	1641	19 3/4	18 7/8	19 1/2	
Alfin Inc		2	50	1 1/8	1 1/8	1 1/8	-1/16
Alpha Ind		32	62	3 1/4	3 1/8	3 1/4	
Am Isr Pa	0.52	11	z100	38 3/4	38 3/4	38 3/4	
AmMaze A	0.64	20	42	18 7/8	18 1/8	18 1/2	-1/8
Amdahl Cp	0.05	2	2610	5 3/4	5 1/2	5 1/2	-1/8
Am Expl		1	1735	1 7/8	1 3/4	1 7/8	
Ampal-AmA		24	178	8 1/4	7 3/4	7 3/4	-1/4
ASR Inv	0.80	0	16	1 1/2	1 3/8	1 1/2	+1/8
Astrotech		18	206	3 1/8	3 1/4	3 1/8	+1/16
Atari		1	847	u1 7/8	1 1/2	1 7/8	+1/8
AtlasCM B		1	61	5/8	5/8	5/8	
Audiovox A		14	345	u11 7/8	11	11 5/8	+7/8
B&H Ocean	0.55	1	111	3 1/4	3 1/8	3 1/8	+1/8
BaldwinT A	0.04	54	35	4 1/4	4 1/4	4 1/4	-1/8
Barry RB		6	38	7	7	7	+1/8
BAT Ind	0.39	15	346	6 3/4	6 1/2	6 1/2	+1/8
Beard Oil		0	30	15	15	15	
Bergen Br	0.40	12	516	19 3/4	19 1/4	19 3/8	-1/8
Binks Man	1.00	400	17	24 1/4	24	24	-1/4
Bio-Rad A		7	44	13 7/8	d13 1/2	13 7/8	+1/4
Blount A	0.45	26	114	15 5/8	15 7/8	15 7/8	-1/2
Bolar Ph		42	206	6 5/8	6 3/8	6 3/8	
Bow Valley		40	16	10 7/8	10 5/8	10 5/8	-1/4
Bowmar		13	142	2 1/16	1 7/8	2	-1/8
Bowne	0.30	12	30	20 3/8	20 1/8	20 1/8	+1/8
Brascan A	1.04	8	98	9 1/8	9	9	-1/8
Cal Engy		20	49	19 3/4	19 1/2	19 5/8	-1/8
Calprop		0	5	1 1/4	1 1/4	1 1/4	
Can Marc	0.28	14	5	11 5/8	11 5/8	11 5/8	
Chmbrs A	0.01	23	890	3 7/8	3 3/4	3 3/4	-1/16
Chambers		4	28	4	3 3/4	3 3/4	-1/4
Champion		25	380	17 3/4	16 7/8	17 3/8	-1/4
Chiles		2	973	4 1/4	4	4 1/4	+1/8
Cntrl FdA	0.01		524	5 1/8	4 7/8	5 1/8	+1/8
Cominco	0.30	14	121	12 1/2	12 1/4	12 1/4	+1/8
Computrac		20	20	1	d1	1	+1/8
Concd FdA		13	281	u7 7/8	7 3/4	7 3/4	+1/2
CrossAT A	1.28	29	343	15 7/8	15 1/8	15 1/8	-1/4
Crown C A	0.40	12	21	16 1/4	16 1/8	16 1/4	+1/4
Crown C B	0.40	12	185	14 1/2	14 1/2	14 1/2	+1/4
Cubic	1.83	262	43	21 1/4	21	21	
Customedix		11	12	2 5/8	2 5/8	2 5/8	
DI Inds		14	192	1 1/8	1 1/8	1 1/8	
Ducommun		7	34	4	3 7/8	4	+1/8
Duplex	0.48	63	5	11 5/8	11 5/8	11 5/8	+1/8
DWG Corp		288	472	18 5/8	17 7/8	18 1/8	
Eastn Co x	0.46	14	6	12 1/8	12 1/8	12 1/8	
Eastgroup	1.52	567	20	17 5/8	17 5/8	17 5/8	
Echo Bay	0.07	40	19057	12	11 1/8	12	+7/8
Ecol En A	0.26	14	33	14 5/8	d14 3/8	14 1/2	
Edisto		0	661	7/16	3/8	7/16	
Engy Serv		12	4499	3	2 7/8	3	+1/8
Fab Inds	0.50	11	19	30 5/8	30 1/2	30 5/8	+1/4
Fina Inc A x	3.20	32	9	62 7/8	62 5/8	62 7/8	+2.83
FstCityBnc	0.20	10	z100	10 1/8	10 1/8	10 1/8	
Fluke (J)	0.52	14	40	23 1/8	22 7/8	23	+1/8
Forest La		25	857	38 5/8	35 7/8	36	-5/8
Frequency		15	121	4 1/2	4 1/2	4 1/2	-1/8
Fr ofLoom		14	2187	38 5/8	37 1/2	37 1/2	-1/4
Giant FdA	0.70	18	167	25 3/8	25 1/8	25 3/8	+1/8
Glatfltr	0.70	20	107	19 1/8	18 3/4	19 1/4	+3/8
Goldfield		9	242	3/4	5/8	11/16	+1/16
Greenman		14	22	4 11/16	4 5/8	4 5/8	
Gulf Cda	0.34	3	828	4 5/8	4 1/2	4 1/2	-1/16
Hasbro	0.24	17	1860	u38 7/8	38 1/8	38 1/4	-5/8
Health Ch		10	25	3 3/8	3 1/4	3 1/4	
Healthwat		1	86	2 3/8	2 1/4	2 3/8	+1/8
Heico Cp	0.15	29	z100	10 3/4	10 3/4	10 3/4	
Hillhaven		11	3006	3 1/4	3 1/8	3 1/8	-1/8
Horn&Hdt		67	1279	3 3/4	3 5/8	3 5/8	+1/8
HvmanianA		26	90	11 3/4	11 1/2	11 1/2	-1/8
ICH Corp		3	1038	5 1/8	4 7/8	5	
Int. Coms		5	693	6 1/4	6	6 1/8	
Intermagn		15	67	7 1/2	7 3/8	7 3/8	-1/8
Intermark	0.12	0	z100	4 1/2	[illegible]	[illegible]	
IntTalcing		0	380	1/4	3/16	1/4	
Jan Bell		107	3229	15 1/4	14 7/8	15	-1/4
Kinark Cp		11	27	4 3/4	4 5/8	4 3/4	+1/8
Kirby Exp		28	891	u17 1/2	17	17 1/2	+1/2
Laborge		9	41	3/4	3/4	3/4	-1/16
Laser Ind		21	71	6 7/8	6 3/4	6 7/8	+1/8
Lee Pharm		28	15	1 3/16	1 1/8	1 1/8	+1/16
Lionel Co		0	240	1	1	1	
Lumex Inc		15	70	u16	15 5/8	16	+1/8
Lynch Cp		14	17	24 3/8	24	24 3/8	
Matec Bsc		18	390	18 3/8	18 1/8	18 1/4	
Maxxam		8	34	24 5/8	24 1/4	24 1/2	+1/4
Media A x	0.44	29	151	u22	21 1/2	21 3/4	
Mem Co	0.20	2	10	4 7/16	d4 1/16	4 7/16	+1/16
Moog A		57	27	6 3/4	6 5/8	6 3/4	+1/8
MSR Expl		6	142	1	7/8	15/16	
Nat Patnt		3	715	u3 3/4	3 1/2	3 3/4	+1/4
New Line		21	668	13 1/8	12 7/8	13 1/8	
NY TimesA x	0.56	193	531	29 1/8	28 3/4	29	+1/8
NthCanOil	0.17	42	7	u11 3/8	11 1/8	11 3/8	+1/4
Numac O&G		69	13	6 3/8	6 1/4	6 1/4	-1/8
NV Ryan		2	371	1/2	1/2	1/2	
Odetics A		223	93	7	6 7/8	6 7/8	+1/8
Olsten	0.24	29	2138	24 1/2	23 3/8	24 1/4	+1
Pegasus G	0.10	71	1596	23 7/8	22 1/2	23 3/4	+1 1/8
Penril	0.60	2	21	13 3/4	13 1/8	13 3/4	
Pet HtlAP	1.98	9	z100	17 1/2	17 1/2	17 1/2	
Phil LD	0.23	8	304	35 5/8	35	35	
Pittway A	0.60	13	142	25	24 5/8	24 3/4	+1/4
Ply Gem	0.12	17	131	10 1/4	10 1/8	10 1/4	
PMC	0.74	16	78	13 3/4	12 7/8	13 1/4	+1/4
PresidioA	0.10	1	105	1 1/8	1 1/8	1 1/8	+1/16
RB&W Cp		2	114	5 1/8	5	5 1/8	-1/8
RiedelEnv		19	9	5 1/4	5 1/8	5 1/8	-1/8
SJW Corp	2.04	10	z100	37 1/8	37 1/8	37 1/8	
SthnUnion		25	5	18 3/4	18 3/4	18 3/4	
Sterl El	0.04	11	82	6	5 3/4	5 7/8	+1/8
Tii Ind		30	80	1 1/8	1 1/8	1 1/8	-1/16
Tab Prods x	0.40	31	2	11 1/2	11 1/2	11 1/2	
Tel&Data	0.34	57	584	u42 1/8	41	41 7/8	+7/8
Thermedics		75	122	15	15	15	-1/4
Thermoins		32	63	39 3/4	39 3/8	39 1/2	-1/8
Total Pet	0.40	22	422	8 1/4	7 7/8	8 1/4	+1/8
TownCntry		0	281	3 3/8	3 1/4	3 3/8	+1/16
Tubos Mex		6	1030	4 5/8	4 1/4	4 1/4	
UtdFoodsA		3	z100	1 1/8	d1 1/8	1 1/8	
UtdFoodsB	0.20	5	20	1 1/8	1 1/8	1 1/8	
UnivPtnts		46	55	9 1/2	9 1/4	9 3/8	-1/8
US Cellul		110	56	28 1/2	28 1/4	28 1/2	+1/4
Weatherfd		37	2151	13	12 3/8	12 7/8	+5/8
Westamer	0.56	10	89	26 1/4	25 1/2	26	
WRET x	1.12	21	92	15	14 3/4	14 3/4	-1/8
Worthen	0.20	9	122	24 5/8	d23 1/2	23 3/4	-5/8
Xytronix		5	41	6 1/8	5 3/4	6 1/8	+1/8

AMERICA

Dow hits new high as hopes rise for package

Wall Street

BLUE chip stocks climbed to new heights yesterday morning as hopes rose that President Bill Clinton's tax-raising, deficit-reduction package will be approved by the House of Representatives, *writes Patrick Harverson in New York.*

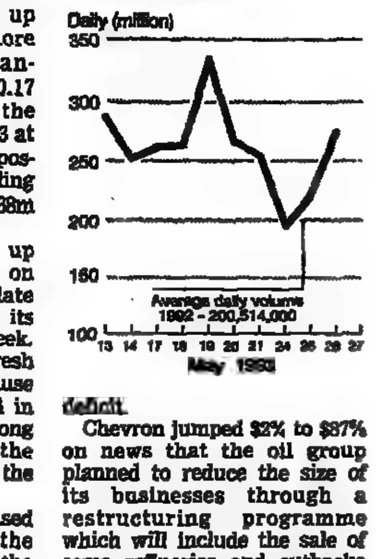
At 1 pm, the Dow Jones Industrial Average was up 18.27 at 3,558.43. The more broadly based Standard & Poor's 500 was 0.17 firmer at 453.61, while the Amex composite was up 1.33 at 438.46, and the Nasdaq composite up 1.55 at 705.64. Trading volume on the NYSE was 168m shares by 1 pm.

The markets picked up where they had left off on Wednesday, when heavy late buying lifted the Dow to its second record close in a week. Analysts had anticipated fresh early gains, primarily because stocks traditionally do well in the days leading up to a long weekend. This Monday the markets will be shut for the Memorial Day holiday.

Attention was firmly focused on Capitol Hill, where the House was due to vote on the Mr Clinton's economic package yesterday.

Although investors are not particularly keen on Mr Clinton's plan to raise taxes, they fear that a defeat in the House would be a severe setback for his presidency. Moreover, the markets, especially the bond market, are generally supportive of the package as it appears to be the first meaningful attempt by a US government to cut the huge federal budget deficit.

NYSE volume



Chevron jumped $2¾ to $87¾ on news that the oil group planned to reduce the size of its businesses through a restructuring programme which will include the sale of some refineries and cutbacks in retail fuel sales operations. The restructuring will require a $550m second quarter charge.

Morgan Stanley climbed $2¾ to $66¼ after the securities house unveiled a 40 per cent improvement in first quarter profits, and announced that it had found a buyer for Sweetheart, the disposable food service product manufacturer. The deal will allow Morgan Stanley to eliminate its costly bridge loan to Sweetheart.

Student Loan Marketing, which has been hit recently by speculation surrounding the administration's plans to shake up financing for students in higher education, fell $2 to $45¼ in busy trading after broking house Smith Barney lowered its rating on the stock.

GFC Financial rose $⅝ to $29⅝ on the news that it will sell its mortgage insurance unit to GE.

Canada

TORONTO was virtually flat in moderate midday trade with financial services and base metals featuring. The TSE-300 index edged down 0.15 to 3,865.02 in volume of 35.65m shares valued at C$375.83m.

The financial services index was up 23.70 to 2,981.17, helped by good second quarter results from a number of banks in recent days. The Toronto-Dominion Bank climbed C$¼ to C$18¼ while Royal Bank of Canada, due to release second quarter results next Tuesday, rose C$⅝ to C$28⅞.

Foreign investors drawn into Brazilian equities

Bill Hinchberger on São Paulo's strength

Brazil has a monthly inflation rate of nearly 30 per cent and the average tenure of a finance minister is about two months, but its equity market is still dancing. On Wednesday, the São Paulo Stock Exchange's Bovespa index registered its twelfth consecutive gain.

The Brazilian market is up by more than 15 per cent this month in dollar terms. Daily turnovers of $150m, once unprecedented, have been the norm this week. Part of the spurt can be explained by the market's favourable reaction to the appointment of Mr Fernando Henrique Cardoso, a former senator and foreign minister, to the finance post. The Bovespa jumped 7.1 per cent last Thursday, the day after a midnight cabinet reshuffling transformed Mr Cardoso into President Itamar Franco's fourth finance minister since he took office in October.

Mr Cardoso, a sociologist turned politician, may not be a "man of the market", as traders say. But "he has demonstrated that he is a serious politician, and he has good common sense", in the words of Mr Ronaldo Nogueira, a director of the Brazil Fund, a close ended fund managed by the US investment firm Scudder, Stevens & Clark.

The euphoria over Mr Cardoso's appointment only tells part of the story. Brazil is the only Latin American market to show an overall gain this year, according to figures released by the International Finance Corporation.

Foreigners are taking note. In April a record $1bn entered Brazilian capital markets. This was offset by remittances of $657m, but the $350m balance was also a record since institutional investors were first allowed to operate directly in Brazilian markets in mid-1991.

Many analysts believe that investors have been attracted by stock prices, about half of book value on average, considerably lower than in places such as Argentina and Mexico.

Brazil is the only Latin American market to show an overall gain this year and foreign investors are taking note: in April, a record $1bn entered the country's capital markets. Analysts believe that investors have been attracted by stock prices which are considerably lower than in Argentina and Mexico.

Investors have also been attracted by favourable company results. Leading companies have reversed dismal performances in 1991 and early 1992, often showing dramatic improvement in the fourth quarter of 1992 and the first quarter of 1993. Examples can be drawn from diverse sectors: Villares (a manufacturer of elevators and steel), Brasmotor (home appliances), Duratex (wood products and home fixtures), and Alpargatas (textiles and footwear).

Even though analysts had been predicting the profits upturn, its confirmation provided a psychological boost – and a much-needed source of hope for Brazil's short-term future. "If companies are doing well in the current environment, what will they be able to do if things get better?" asked Mr Robert Barclay, president of Baring Securities Brasil.

There have also been some improvements in economic data. Industrial sales are up, led by a strong recovery in the automobile sector. Trade liberalisation was reflected in record imports of $2.43bn in April, while robust exports ensured a healthy trade surplus of $589m. Partly as a result, international reserves stand at a comfortable $23bn.

Analysts offer other explanations for this year's upswing. In January and February, electric utilities helped to sustain the market. Their shares were in the spotlight as legislation that would allow them to set higher prices worked its way through Congress. More recently, President Franco's determination to cut interest rates has moved money out of fixed income investments and into equities.

Trading remains hopelessly concentrated in shares in Telebras, the state-controlled telecommunications holding company. On Wednesday, Telebras shares were responsible for 61.5 per cent of trading volume, a common occurrence. Telebras accounts for nearly half of the Bovespa index.

"There is some demand for other shares," notes Mr Julius Buchenrode, director of investments for Banco Chase, Chase Manhattan Bank's subsidiary. "But there is no liquidity because most companies have not issued stock in several years."

EUROPE

Interest rate cuts make little impression

INTEREST rate cuts in Belgium, the Netherlands and Austria did nothing, apparently, for their respective equity markets, and performance elsewhere was mixed, *writes Our Markets Staff.*

FRANKFURT moved further ahead on the gentle recovery in the bond market and gains in bund futures, the DAX index ending 12.47 higher at 1,634.47, its highest close for almost two weeks.

Turnover rose from DM5bn to DM5.8bn, utilities and chemicals seeing buying interest. Veba and Viag rose by DM5.40 to DM390.80, the former topping the active stocks list in turnover of DM729m. Among the big three chemicals, BASF ended DM5 up at DM230.40, Bayer gained DM3.70 to DM265.70 and Hoechst DM2.90 to DM245.70.

Mr Hans Peter Wodniok, of James Capel in Frankfurt, said that Veba's first quarter results, excluding extraordinary items, had come out better than expected.

Of chemicals, he said that after extensive profit falls, or losses in other cyclical sectors, like steels and carmakers, chemicals were at least still profitable, probably the first sector to go for on a cyclical upturn, and producing in countries like Spain (which have devalued their currencies) and the US, where recovery is apparent. His personal view, however, was that this enthusiasm was premature.

PARIS broke through the 1,900 barrier for the first time since early May. The CAC-40 index closed 14.16 higher at 1,904.59, helped by today's expiry of May index futures. Turnover was FFr3.5bn.

Crédit Local de France, a specialised financial institution, featured after the government said that it would be the first privatisation candidate, with an offer price expected to be about FFr400. The shares slipped FFr15.90 or 3.8 per cent to FFr404.10.

Elf Aquitaine was another faller, down FFr6.60 to FFr376.20, after forecasting a 25 per cent drop in operating profit for the first half of 1993.

MILAN continued to focus on Fiat which fell further ahead of its results on Monday. The shares fixed down L246 or 3.8 per cent at L6,105, before dropping to L5,900 on the kerb.

Some brokers attributed Fiat'sdecline to profit-taking following strength in the stock during April. The investigation of Mr Cesare Romiti, the chief executive, in connection with the country's corruption scandal has also weighed on sentiment. Hopes of a possible link-up with Renault of France have all but evaporated and the possibility that the group will cut the dividend on Monday has added further to selling pressure. The Comit index closed 11.18 lower or 2 per cent at 540.81.

Other leaders suffered from Fiat's fall with Generali off L730 to L37,100. Banks also declined with Mediobanca down L550 to L15,550.

ZURICH showed a speculative undertone as foreign investors bought banks as a proxy for the strong Swiss franc, and the SMI index rose 21.10 to 2,268.10.

In banking, UBS rose SFr13 to SFr990 and CS Holding SFr40 to SFr2,630 but, said Mr Frederick Hasslauer at Swiss Volksbank, the speculators came in for Bank Leu which rose SFr34, or 7 per cent to SFr498 on stakebuilding rumours.

AMSTERDAM, not surprised by the cut in interest rates which now stand at their lowest level since mid-1989, moved in a narrow range throughout the day: the CBS Tendency index ended unchanged at 106.5.

Royal Dutch and KLM were both strong on US interest, the former closing at a new high for the year, up Fl 1.70 at Fl 168.40, and the latter firming 30 cents at Fl 26.60.

MADRID extended this week's climb, the general index rising 3.25 to 262.58. Mr José Sevilla, head of research at the brokers, FG, said that investors were anticipating a conservative win in the forthcoming elections, and with that lower interest rates and a weaker peseta.

Banks made the most obvious response to this scenario, Central Hispano leading with a gain of Pta200, 6 per cent to Pta3,560.

OSLO was lifted by a strong performance from the shipping sector. The all-share index gained 5.17 or 1.1 per cent to 476.32 while the shipping index advanced 3.4 per cent on hopes of an upturn. Turnover was NKr552m.

DUBLIN made its third gain in succession, the ISEQ overall index rising 12.24, with the accent on financials, to 1,566.87 for a three day gain of 2.7 per cent.

TEL AVIV rose more than 2 per cent after the issue of new shares in Bank Hapoalim, the country's largest bank, was heavily over-subscribed. The government's sale of its 20 per cent stake in the bank is part of the process of privatising the industry. The Mishtanim index rose 4.33 to 205.84 in turnover of some Shk150m.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

May 27 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1165.12	1164.87	1164.58	1164.38	1164.38	1164.20	1163.54	1165.01
FT-SE Eurotrack 200	1232.52	1234.47	1234.41	1233.14	1233.06	1231.42	1231.40	1231.31

	May 26	May 25	May 24	May 21	May 20
FT-SE Eurotrack 100	1162.51	1164.13	1155.90	1155.78	1156.03
FT-SE Eurotrack 200	1226.76	1224.18	1217.42	1215.46	1220.19

Base value 1000 (26/10/90) Highday: 100 - 1166.12; 200 - 1235.10 Lowday: 100 - 1162.74 200 - 1229.62.

ASIA PACIFIC

Tokyo eases as volume swells to 750m shares

Tokyo

LATE futures-led selling erased early gains as a strong yen appreciated further against the dollar, the market ending mixed in active trading, *writes Wayne Aponte in Tokyo.*

The Nikkei average finished 43.36 easier at 20,852.63, after a session high of 21,105.91 and low of 20,786.47. The Topix index of all first section stocks gained 13.99 at 1,653.71, however. In London the ISE/Nikkei 50 index put on 2.84 at 1,263.10.

Volume reached 750m shares, against Wednesday's 481m, as active early foreign buying was replaced later by profit-taking and arbitrage-related selling. Advances outscored declines by 698 to 379, with 104 issues unchanged.

Brokers said the 225-issue Nikkei average is relatively insensitive to recent foreign exchange fluctuations, market participants regarding the yen's advance against the dollar as temporary.

The broader Topix index, they added, is more representative of current market sentiment, having outperformed the Nikkei during recent sessions, and is less susceptible to the arbitrage unwinding that often hits equity prices during late activity.

Financial sector issues, which equal about 30 per cent of the first section on the Tokyo stock exchange in terms of market capitalisation, drew considerable amounts of buying by individuals yesterday.

The sector, overall, has largely underperformed the market and some investors speculate that bank shares will form a sizeable portion of the forthcoming capital-weighted stock index futures index.

Fuji Bank appreciated Y140 to Y2,270, Mitsubishi Y100 to Y2,780 and Sumitomo Y90 to Y2,250.

Fanuc, the leading Japanese machine tool maker, retreated Y80 to Y4,100, partly due to its projection that pre-tax profits will decline by about 9 per cent in the current financial year.

The car sector declined, Toyota by Y60 to Y1,670, Honda Y40 to Y1,350 and Nissan Y24 to Y775. Pharmaceutical issues retreated on profit-taking, Yamanouchi by Y40 to Y2,420 and Daiichi Y10 to Y1,710.

In Osaka, the OSE average ended 177.96 up at 23,080.88 in volume of 35.9m shares.

Roundup

A NUMBER of the region's markets set record closing highs yesterday.

HONG KONG was lifted by reports that the Sino-UK airport committee would meet next week to discuss financing for the project. The Hang Seng index finished at an all-time peak, 97.52 or 1.33 per cent ahead at 7,447.24. Turnover increased to HK$6.3bn from Wednesday's HK$5.4bn.

HSBC Holdings strengthened HK$2 to HK$74.50, Hang Seng Bank advanced HK$1.50 to HK$59 and Bank of East Asia rose HK$1.25 to HK$38.25.

SINGAPORE also set a new closing high, with investors encouraged by data showing a 7 per cent growth in GDP for the first quarter. The Straits Times Industrial index climbed 17.27 to 1,885.91. Cycle and Carriage rose 45 cents to S$7.45 on rumours that the Jardine group, of Hong Kong, might make a takeover offer.

AUSTRALIA advanced to a 3½-year high, helped by strength in US markets and gold stocks. The All Ordinaries index moved ahead 31.7, or 1.85 per cent, to 1,749.1, while the gold shares index put on 49.5, or 2.65 per cent, at 1,918.8. Turnover amounted to A$516.06m.

National Australia Bank continued to perform well after last week's positive results, gaining 15 cents at A$10.10.

Among gold issues, Placer Pacific forged ahead 24 cents to A$3.74 and Newcrest added 10 cents at A$4.48.

NEW ZEALAND, meanwhile, continued to push ahead, recording another 33-month high in spite of remaining in negative territory for most of the session. The NZSE-40 index closed 1.86 firmer at 1,642.42 in turnover of NZ$33m.

There was strong activity in Carter Holt Harvey, mainly from overseas investors, but the shares ended 3 cents down at NZ$2.09.

KARACHI was boosted by Wednesday's supreme court decision, which came after the close, to restore the government of Mr Nawaz Sharif, the prime minister. The KSE index moved forward 29.61 to 1,178.28 and rising issues outnumbered declines by 214 to 58.

SEOUL was firmer on strong overseas interest in large-capitalisation stocks. The composite stock index rose 7.31 to 737.28 in turnover of Won1.01 trillion, compared with Won726.6bn on Wednesday.

BOMBAY weakened for a fourth consecutive session following the easing of restrictions on short-selling earlier in the week. The BSE index dropped 31 to 2,220.

SOUTH AFRICA

GOLD shares fell back as some investors decided that it was time to take profits and the index slipped 26 to 1,824.

Industrials retreated from the day's highs to lose 4 to 4,521 and the overall index shed 15 to 3,984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY MAY 26 1993								TUESDAY MAY 25 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (68)	137.29	+0.7	131.70	94.25	116.49	131.03	+1.2	3.79	136.38	131.08	94.40	115.47	129.48	144.19	117.39	151.73
Austria (18)	141.61	+0.1	135.85	97.22	120.16	119.81	+0.2	1.72	141.52	136.02	97.96	119.82	119.60	150.98	131.16	170.92
Belgium (42)	143.21	+0.1	137.38	98.30	121.50	116.31	+0.4	4.80	143.04	137.48	99.00	121.10	117.82	156.78	131.16	143.35
Canada (108)	129.77	-0.2	124.49	89.08	110.10	116.78	+0.1	2.78	129.97	124.92	89.95	110.08	118.67	129.97	111.41	126.80
Denmark (33)	214.67	-0.7	205.93	147.37	182.14	182.33	-0.5	1.24	216.19	207.79	149.64	183.04	183.19	225.64	185.11	243.29
Finland (23)	97.85	-1.9	93.87	67.18	83.03	112.84	-1.7	1.09	99.73	95.86	69.03	84.44	114.80	100.92	65.50	79.64
France (98)	154.42	-0.3	148.14	106.00	131.01	133.17	+0.0	3.37	154.82	148.80	107.15	131.07	133.14	167.38	142.72	186.07
Germany (62)	109.55	+0.0	105.09	75.21	92.94	92.94	+0.3	2.28	109.51	105.25	75.81	92.71	92.71	117.10	101.59	124.92
Hong Kong (55)	297.95	-0.2	285.82	204.53	252.81	295.57	-0.2	3.16	298.56	286.97	206.65	252.79	296.21	298.56	218.82	252.30
Ireland (15)	161.00	+0.7	154.44	110.52	136.60	151.64	+1.1	3.49	159.91	153.69	110.68	135.38	150.01	170.40	129.28	159.41
Italy (73)	70.53	-1.9	67.66	48.41	59.84	78.37	-1.2	2.45	71.87	69.08	49.74	60.84	79.33	72.82	53.78	72.41
Japan (470)	149.57	+2.3	143.48	102.68	126.92	102.68	+1.4	0.81	146.24	140.56	101.22	123.83	101.22	149.57	100.75	104.04
Malaysia (69)	341.57	+1.2	327.67	234.47	289.80	337.03	+1.0	2.01	337.60	324.49	233.67	285.82	333.70	343.04	251.68	237.04
Mexico (18)	1503.78	-0.4	1442.58	1032.31	1275.91	5141.28	+0.0	1.32	1509.21	1450.59	1044.62	1277.78	5143.39	1725.81	1410.30	1627.04
Netherland (24)	166.51	+0.1	159.73	114.31	141.28	138.96	+0.4	3.98	166.36	159.90	115.15	140.85	138.42	172.75	150.39	161.74
New Zealand (13)	49.82	+0.1	47.79	34.20	42.27	48.35	+0.2	4.73	49.77	47.84	34.45	42.14	48.26	49.82	40.58	46.66
Norway (22)	156.18	-0.2	149.82	107.21	132.51	146.32	+0.2	1.80	156.42	150.35	108.27	132.44	145.96	166.21	137.71	186.12
Singapore (38)	254.20	+1.1	243.85	174.50	215.68	188.25	+0.7	1.33	251.35	241.59	173.98	212.80	187.00	254.49	207.04	221.86
South Africa (60)	199.32	-0.3	191.20	136.82	169.11	201.92	-0.2	2.48	199.85	192.09	138.33	169.20	202.35	201.01	144.72	248.78
Spain (46)	127.55	-1.7	122.35	87.56	108.22	122.71	+0.5	4.86	129.72	124.69	89.79	109.83	122.16	132.82	115.23	158.86
Sweden (36)	178.47	-1.2	171.21	122.52	151.43	193.73	-0.6	1.74	180.60	173.58	125.00	152.91	194.83	180.60	149.70	198.65
Switzerland (55)	124.32	-0.1	119.26	85.35	105.49	112.68	+0.1	1.93	124.48	119.65	86.17	105.41	112.60	124.48	108.91	105.87
United Kingdom (218)	178.65	+0.5	171.38	122.65	151.56	171.38	+0.3	4.04	177.83	170.92	123.07	150.54	170.92	181.99	162.00	199.14
USA (519)	185.34	+1.1	177.79	127.24	157.26	185.34	+1.1	2.76	183.40	176.28	126.95	155.28	183.40	186.27	175.38	167.84
Europe (765)	145.32	-0.1	139.40	99.76	123.30	133.14	+0.1	3.39	145.41	139.76	100.65	123.12	132.99	149.02	133.92	156.55
Nordic (114)	167.13	-1.1	160.33	114.75	141.81	160.26	-0.6	1.56	168.96	162.39	116.95	143.06	161.26	169.92	142.13	183.71
Pacific Basin (713)	153.46	+2.1	147.21	105.35	130.21	109.28	+1.3	1.08	150.37	144.53	104.08	127.31	107.85	153.46	105.88	110.49
Euro-Pacific (1478)	150.00	+1.2	143.90	102.97	127.27	119.69	+0.8	1.98	148.22	142.46	102.58	125.48	118.89	150.00	117.28	129.12
North America (627)	181.87	+1.0	174.47	124.87	154.34	180.81	+1.0	2.76	180.06	173.07	124.65	152.48	178.99	182.38	171.51	165.08
Europe Ex. UK (547)	124.88	-0.4	119.80	85.76	105.98	111.56	+0.0	2.88	125.41	120.54	86.82	106.20	111.56	128.65	112.51	131.23
Pacific Ex. Japan (243)	192.00	+0.4	184.19	131.83	162.93	175.01	+0.5	3.12	191.25	183.82	132.40	161.94	174.75	192.00	152.70	174.06
World Ex. US (1664)	150.84	+1.1	144.50	103.42	127.82	121.81	+0.8	2.01	148.95	143.17	103.11	126.12	120.85	150.84	118.51	131.35
World Ex. UK (1965)	159.57	+1.2	153.07	109.55	135.40	138.35	+1.0	2.11	157.72	151.60	109.18	133.55	137.03	159.57	134.22	137.27
World Ex. So. Af. (2123)	161.10	+1.1	154.55	110.60	136.70	140.91	+0.9	2.30	159.33	153.14	110.29	134.91	139.65	161.10	137.29	141.89
World Ex. Japan (1713)	169.37	+0.6	162.48	116.28	143.73	162.82	+0.7	2.97	168.39	161.86	116.57	142.59	161.76	169.97	157.47	164.25
The World Index (2183)	161.26	+1.1	154.69	110.70	136.83	141.43	+0.9	2.30	159.50	153.31	110.40	135.05	140.17	161.26	137.32	142.60

Constituent change 27/5/93: Name change: Baltica Holdings to Finans. Gefion A/S (Denmark). Latest prices were unavailable for this edition.

UK RELOCATION

Inward investment has fallen back from recent high levels as a result of the economic slowdown worldwide. The UK benefits from relatively low wage rates but it faces growing competition from eastern Europe, reports **Tony Jackson**

Key factor is labour

IF RELOCATION is an industry, it is suffering from the recession like any other industry. There are two aspects to this. First, the UK economic slowdown is having an impact on domestic firms. Second, inward investment by foreign multinationals has dropped sharply, mostly because of recession worldwide.

The domestic effect is explained by Mr David Rees, a relocation specialist with the accounting firm Ernst & Young. "What drives relocation," he says, "is mostly cost pressures, such as labour and rents. In a recession, these pressures are lower."

As for inward investment, the fall in activity must be put in the context of the extraordinarily high levels of recent years. According to the Organisation of Economic Co-operation and Development (OECD), inward investment in the UK in 1990 was $33.8bn – more than a fifth of the OECD total, and nearly 40 per cent of all investment into the EC. In 1991, the figure fell by 38 per cent. In the first half of 1992 it fell a further 29 per cent.

The reasons were twofold. First, industry worldwide was investing heavily in the boom conditions of the late 1980s.

This was particularly true of Japan, which was a vitally important investor in the UK over the period. The Japanese stock market bubble of the late 1980s provided Japanese manufacturers with virtually interest-free finance, and encouraged excessive investment both at home and overseas.

The new Japanese plants in the UK turning out cars and consumer electronics have done much to assist the UK's faltering balance of payments. They may be the last of their kind for a while.

The second reason has to do with the establishment of the European single market. This encouraged foreign manufacturers to move into the EC, with the UK proving an obvious home on grounds of cheapness and the English language. It also caused upheaval within existing European industry, as manufacturers sought to rationalise production in the face of new competitive pressures.

As the celebrated case of Hoover showed earlier this year – whereby a plant making vacuum cleaners in Dijon is being shut and production moved to Glasgow – the UK benefited here as well.

The Hoover case brought to the fore an issue which now dominates the outlook for relocation into the UK: the social chapter. The UK has been accused – for instance, by the French government – of trying to make itself into the Taiwan of Europe. It has been accused of social dumping – seeking an unfair advantage within the Community by keeping its employment costs artificially low.

On the other side of the argument, UK employers – Nissan of Japan included – are vocal in the pleas that the UK's natural advantage of cheap labour should not be taken away from it by Brussels bureaucrats.

In fact, some of the argument is misplaced. The social chapter has only a limited amount to do with employment costs, nor is it by any means clear that the UK's sole advantage as a location within the EC lies in the cheapness of its labour.

Nevertheless, the argument will continue to run. One or two economists are already suggesting that if the UK is basing its employment strategy on cheap labour, it is running a serious risk in the long term. The fall of the Berlin wall opened up a vast potential reservoir of cheap labour to the east. At present, the transitional upheaval in central European economies and the poorness of their infrastructure mean the threat is limited. But both those problems will surely be overcome in time.

The nature of the threat is illustrated by a firm such as ABB Lummus Chemoprojekt, a western-owned process engineer based in the Czech city of Brno. Mr Gernot Gross, managing director, says that for the qualified engineers used in his industry, the UK is the cheapest source in western Europe. "If German costs are 100," he says, "UK costs are only 70. But Czech costs for the same quality of work are 40."

In the end, as Mr Rees of Ernst & Young remarks, labour is the key to most relocation decisions: either it is cost, or it is availability. This applies within the UK as well. In cost terms, there are still significant differences between the south-east of England and the rest of the country. Indeed, according to Mr Rees, there is less difference between the other regions than between them and the south-east.

Within the UK, though, many other factors come into play. For an office location, the deciding question may be whether it is within two hours of London by rail. For a manufacturing operation, much will depend on how much of the output is shipped locally and how much exported.

Another important aspect, of course, is government incentives. Some 35 per cent of the working population of Great Britain, according to Mr Rees, live in so-called assisted areas.

At present, the map of these areas – last drawn in 1984 – is being drawn afresh. The work was supposed to be completed by January this year, having been promised by the government as an election commitment. It has been held up, however, by the debacle over coal closures, which has complicated the picture on employment levels in various parts of the country.

The government has proved unhelpful in another respect. The Budget sprang un unwelcome surprise: a change in the tax breaks allowed on relocation expenses, designed to raise £200m a year for the Inland Revenue by 1995.

In essence, the plan is to limit tax relief on relocation expenses to £8,000 and to prevent employers indemnifying employees free of tax for losses on property sales. The Relocation Solicitors' Group, based in London, says: "Many in the relocation industry believe the proposals amount to a tax on mobility and will prevent companies from taking full advantage of the opportunities presented to them as they emerge from recession."

Not everyone takes such a gloomy view. Mr Rees says: "It's not a serious impediment. It affects the economics slightly, but in the context of the whole cost of relocation – closure and set-up costs, training and so on – it's not significant."

In any case, as Mr Rees points out, most relocations occur not between regions, but within them. Often, this is precisely so that the workforce can be retained. A company may have outgrown its premises, or aim to find somewhere cheaper. Very often, it will end up staying within a 20-mile radius.

But to the extent that relocation between regions does go on, which are winning and which losing? The question cannot be answered with any precision, since no statistics are available. The one clear pattern still seems to be that the south-east is losing out to the rest of the country. "As for the other regions," says Mr Rees, "Leeds has been doing well for some office projects lately, and south Wales on manufacturing. And within the last month or so Glasgow seems to have picked up several good ones – not just Hoover."

Despite the pressures of recession, it seems the relocation industry continues to thrive. From a broad economic viewpoint, this is to be welcomed. One of the abiding paradoxes of the UK economy is that the so-called equilibrium level of unemployment – the rate below which inflation starts to accelerate – should be so much higher than in most developed countries.

A decade ago, that was commonly blamed on the power of the trade unions in forcing up wages. But the unions are now a spent force, and still the equilibrium level of unemployment has continued to rise.

Whatever the answer to the puzzle, the mobility of labour must have something to do with it. In general terms, the more relocation is going on, and the more flexible and mobile the labour force, the better the outlook for employment.

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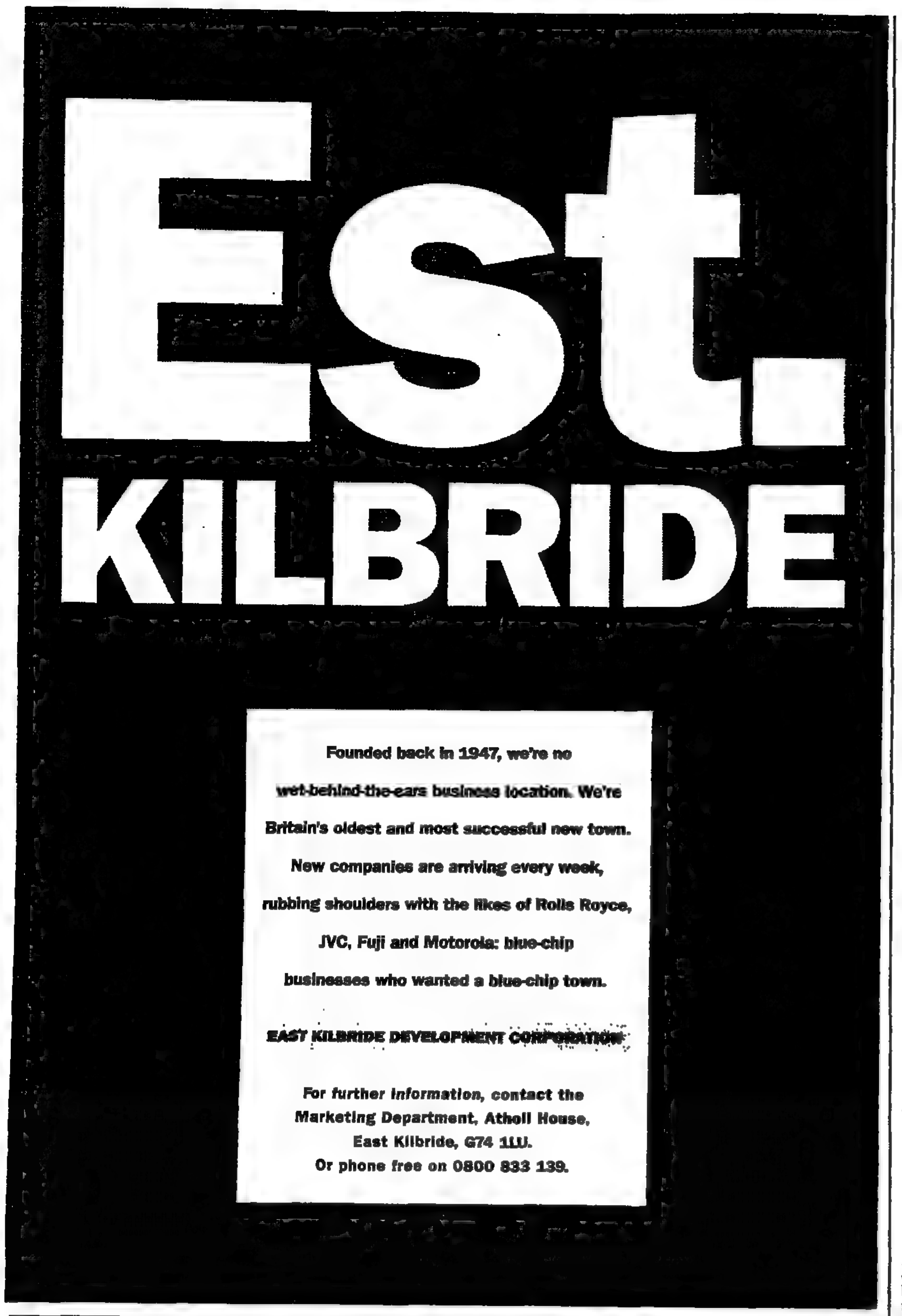
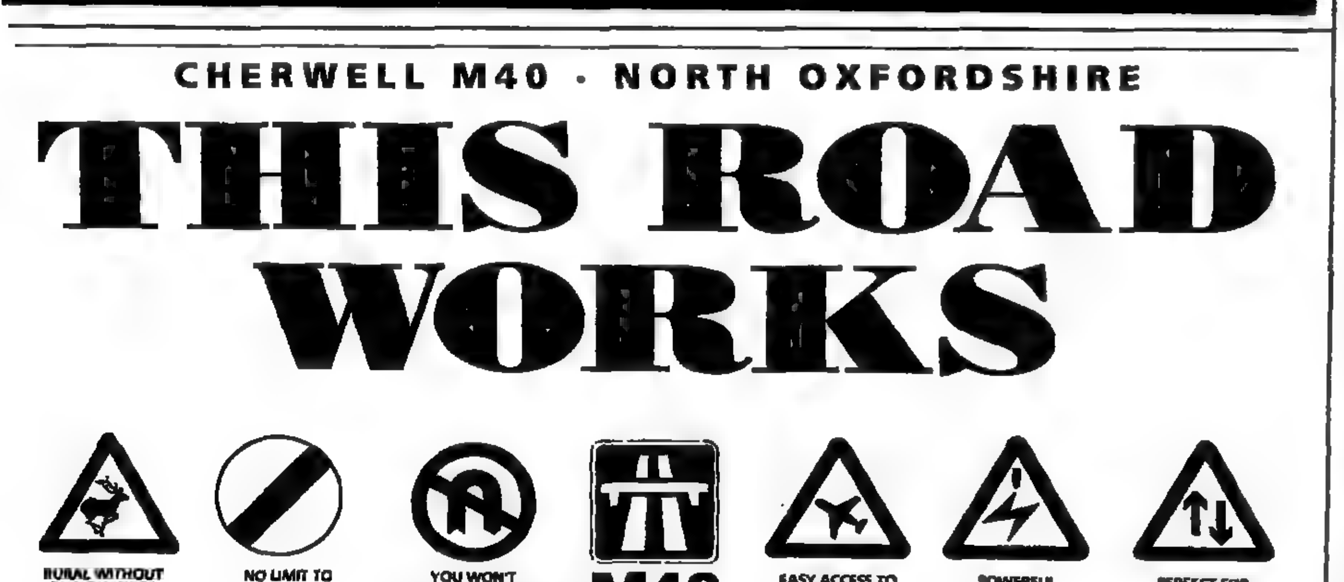
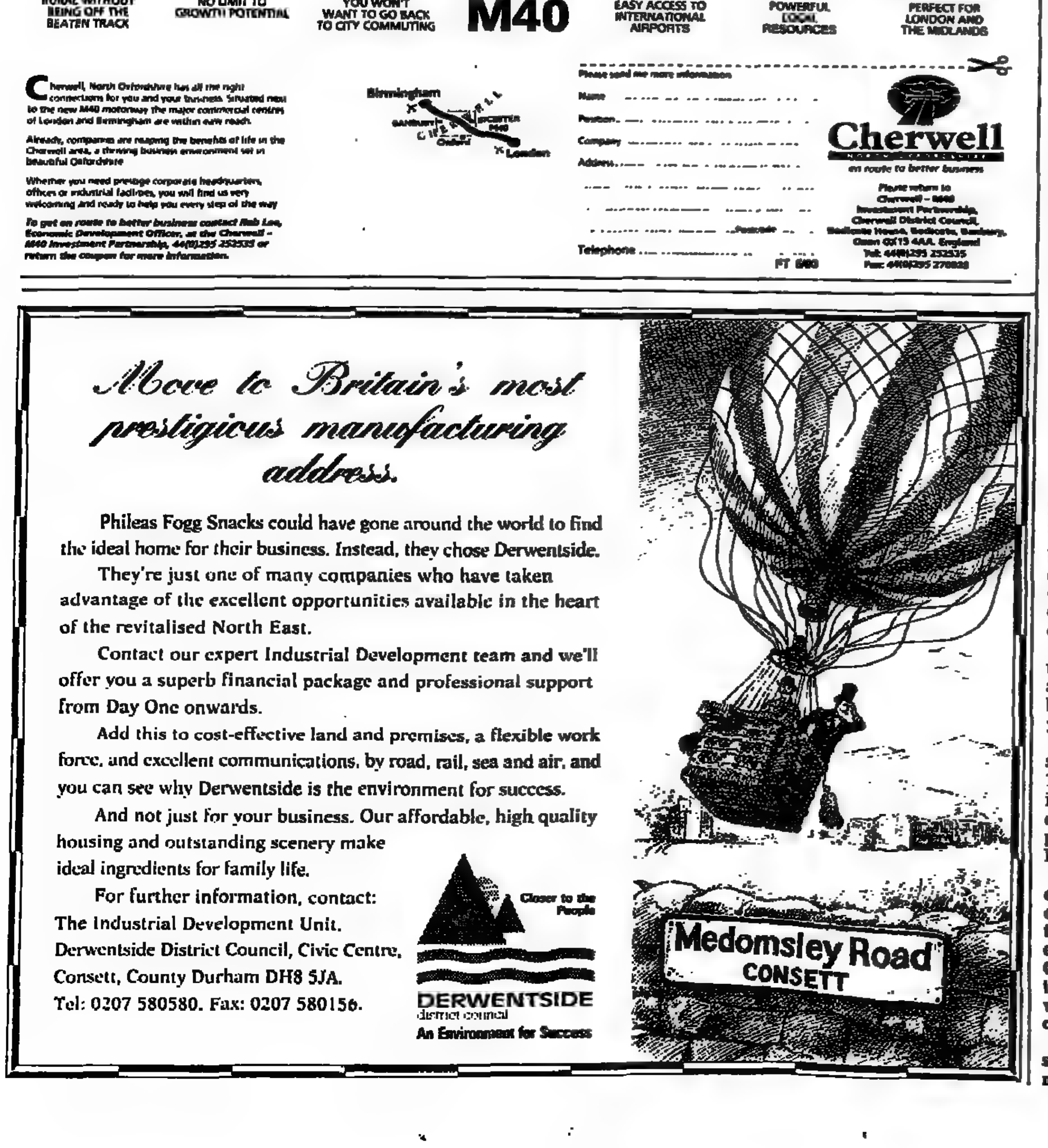






RELOCATION 2

Andrew Jack looks at the effects of the chancellor's tax changes

Budget a brake on mobility

THE BATTLE lines are being firmly drawn between relocation consultants and the Inland Revenue over tax changes in the Finance Bill which could fundamentally change the costs and patterns of employee moves in the UK.

Political consultants have been hired, clients contacted, position papers circulated and influential MPs identified. Earnest lobbying to ameliorate the effects of the chancellor's budget has begun.

Mr Steve Abbley, managing director of PHH Homequity, a relocation company, says: "Our main message is the cost of relocation is going to be increased by at least 20-25 per cent. It will put a brake on mobility."

His views are shared by three of his main competitors, Black Horse, Pricoa and Hambro Countrywide Relocation. The four companies have come together in a coalition to fight the tax changes. They are echoed by other similar businesses such as Nationwide Relocation.

"I think the government has been amazed at the furore this has caused," says Mr Abbley. "It's certainly stirred up a hornet's nest. I certainly don't think they thought it through properly."

Under the rules, employees could gain exemption from tax on expenses for relocation reimbursed by their employers. Their employers, in turn, could offset these costs against profits. Most reasonable costs could be offset, including elements such as the loss on sale of a house in an area where prices were stagnant or falling, moving costs, bridging loans and legal and administrative fees.

But the position was enshrined only through two extra-statutory concessions: A67 on compensation for higher housing costs at a new location, and A5 on costs associated with moving to a new location. These run the risk of being subject to discretion by tax officials and applied differently around the country.

While upper ceilings on allowances were vague, in practice Mr Michael Lansley, managing director of Hambro Country Relocation, says: "It was all pretty straightforward. You just bunged [the expenses] in and they were allowable."

That will all change if the Finance Bill in its current form becomes law later this year. For the first time, the chancellor has proposed a ceiling on moving expenses against which tax can be allowed. It stands at £8,000. The concession on higher housing costs is withdrawn completely.

In exchange, the bill permits tax relief against the value of any bridging loan up to the £8,000 limit where this has not already been exceeded by the costs of removals. The Inland Revenue says ministers will table an amendment so the reliefs will apply to UK residents moving abroad or foreign nationals seconded to the UK.

It also stresses employees will not have to sell their home to gain tax relief against moving expenses, as long as their old home is not within "reasonable daily travelling distance" of the new place of work.

The changes offer cold comfort to the relocation campaigners and argue they will have at least two detrimental effects. First, costs of moving to employers and employees will increase substantially. The consultants estimate the average move costs about £25,000 – a figure also mentioned by the chancellor in his budget. Anything above the £8,000 limit will be counted as a taxable employee benefit.

'I think the government has been amazed at the furore this has caused'

That means either the employee or the employer will pick up extra costs. Figures calculated by the relocation coalition suggest these estimates may be wrong. That is a particular concern, with those considering moving concerned about negative equity in their existing houses.

Mr Lansley says: "We've had a great deal of reaction from clients. They are faced with grossing up [relocation expenses] which will mean a considerable extra budget that they or their employees will have to pay."

As a result, the second impact of the budget change, according to the coalition, is that the number of moves may well fall. "An awful lot of people who were planning group moves may think again," says Mr Abbley. He warns this, in turn, could have a wider economic effect on towns such as the Development Corporations which have actively courted corporate relocations.

"It goes very much against the government's stated intention to increase jobs," says Mr Lansley. "What they are doing here is not encouraging economic recovery at all."

Mr Michael Kaltz, a partner with Ernst & Young, the accountancy firm, who has been retained by the relocation lobby, raises a further problem. He says there will be greater confusion and more risk for error and hence penalties on tax returns by employees complying with the new rules.

He argues that the change to the treatment of relocation expenses is essentially the introduction of a new form of tax. He says the Finance Bill's concessions – notably the statement that employees will not have to sell their old home – have only brought about a position which most people would have expected to be in place under the existing rules.

Mr Kaltz also argues that the proposed £8,000 limit to tax relief was carefully thought through by the Inland Revenue, based on an estimate of the number of moves each year and projections of the cost. The aim, he says, was to raise £200m and the tax-free ceiling was adjusted accordingly.

He questions the reliability of these estimates – although others would argue that the relocation lobby's figures of an average of £25,000 may, conversely, be over-generous.

The relocation consultants are calling for reconsideration of three principal areas. First, to raise the tax-free limit on relocation expenses from £8,000, perhaps up to the preferred level £25,000.

Second, to consider extending transitional relief further into the future beyond this tax year, since the changes would otherwise add to costs of moves which are already under way.

Third, to revisit the issue of which categories of help given by employers to employees should qualify for statutory tax relief.

The Inland Revenue says that any amendments to the Finance Bill are a matter for the politicians to decide. "No doubt ministers will take note of the representations," a spokesman said.

But it stresses the chancellor's argument that the existing position unfairly discriminates in favour of individuals whose employees pay for their moving expenses. Those who move without such benefits must take the full cost themselves, while those with employers who agree to pay are being subsidised at taxpayers' expense.

David Lawson assesses the changes in business rates

New broadside for companies

IN THE depths of recession, companies were hit by a new broadside of rising costs called the uniform business rate. They wriggled, they screamed, they protested that higher expenses at a time when profits were collapsing would drive many to the wall. They were right.

The south saw most casualties, which was inevitable considering the way the new tax was structured.

Although introduced in 1990, it was based on property values set two years earlier – the peak of the surge in property prices.

The valuations also caught up with huge changes that had taken place since the previous assessment almost two decades before, so the jump was that much more severe.

Now a new broadside is being loaded, as the business community faces a revaluation due to come into force in 1995. This time the guns will face a new direction, however. Property values were assessed last month, and again show enormous changes but they are heavily in favour of the south.

At one time every business fleeing London seemed to quote soaring local authority rates as a main reason for the move. By the same logic, plunging bills under the new system should bring them flocking back.

Relocation is not as simple as that, of course, yet the cuts could have an important input into decisions about future moves around the country.

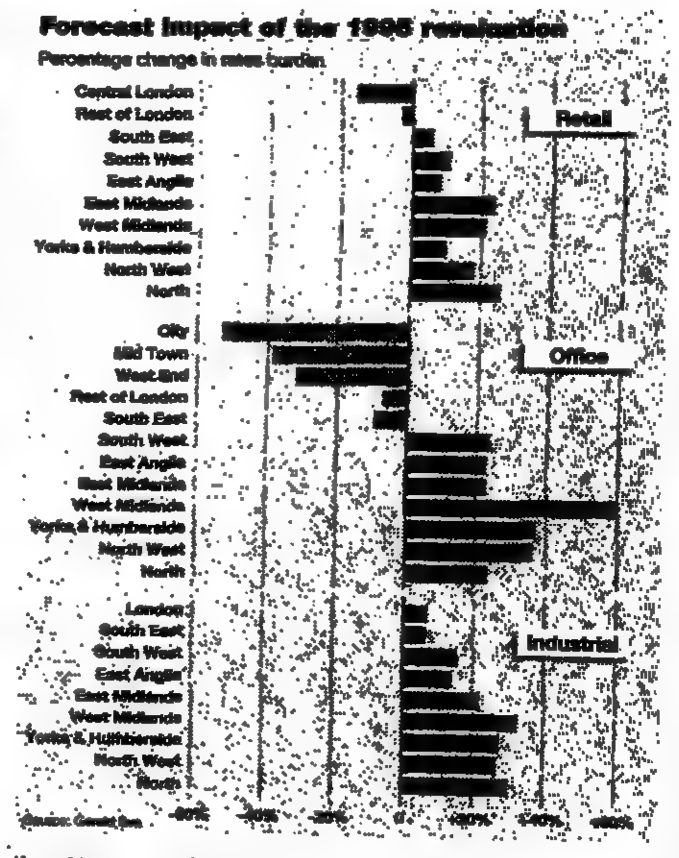
"In general terms the 1995 revaluation will reverse the shift in burden that occurred in 1990," says Robin Goodchild of Gerald Eve Research. "The winners are primarily in the south-east, especially office occupiers." Losers are spread across the rest of England and Wales (Scotland has its own system), particularly offices in rival centres. In other words, the occupation cost gap, already narrowed by convergence of rents, will be closed even further.

The changes will be nowhere near as severe as last time around because they will not be making up for almost 20 years of neglect.

But property values have still shifted dramatically since 1988. In Birmingham, for instance, they have almost doubled, compared with a 40 per cent drop in the City of London.

"Most areas are likely to experience an increased level of rateable value in 1995 though this will often be modest," says Stephen Tutcher of Gerald Eve. "Central London is the principal exception, with values reducing to 50 per cent or less of current values."

Rate bills for prime office space in the City will fall from more than £24 a sq ft to less than £15.50, says Sandra Jones of Herring Baker Harris Research.



A West End block will drop from just over £21.50 to £14.21, Southwark from just over £13 to £8.12 and Hammersmith from £9.25 to £7.31.

"The relative benefits that the impending revaluation brings to the London market are accentuated when compared with some of the increases in rates payable expected in provincial cities," she says in an HBH report, Shifting the Burden, which looks at the impact of the changes on 66 UK centres. Milton Keynes, for instance, will see a 40 per cent rates rise, Manchester as much as 73 per cent while in Cardiff they will more than double.

Industry will also feel the wind of change. Good industrial space in Newcastle will have a current rates bill of 70p a sq ft based on a rent of £1.75 in 1988.

Today the rental value is around £4.50, implying a 100 per cent rate rise to £1.83 a sq ft in 1995. Staines, near London, on the other hand, has a current bill of £2.41 based on a 1988 rent of £6 a sq ft.

Those rates should rise only 25 per cent to just over £3, although the absolute cost of an extra 53p a sq ft will still be on a par which a Manchester or Liverpool business will have to find. This shows that decisions on relative location advantages will not be simple.

Shops, which saw an immense upheaval in 1990, will be less affected this time but a retail building in Manchester will still see rates rise more than 50 per cent to almost £67.83 for Zone A space.

London bills will creep up only marginally because rents have remained stable since the boom. There will still be a big gap, as a West End shop will be paying more than £91 a sq ft, and the narrowing that does take place will have little influence on relocation trends. Retailers are not great players in this field. But it could give a boost to decisions over investing in new stores outside the south-east.

Office-based business will be affected far more because the changing balance of rate burdens will exaggerate the same trend in rents.

"If open market rents for prime space are around £25 to £30 a sq ft at present and we assume a 5 per cent growth [by 1995/6], this will mean a decrease of more than 20 per cent in the cost of occupying new office space in the capital," says Ms Jones.

This combined impact of lower rents and rates will slow even further the drift away from central London, particularly as tenants realise they will be able to take advantage of lower local authority charges for a further five years, even if rents begin to rise again.

All sorts of other complications muddy the picture, however. For instance, a company considering whether to move today already has to calculate the costs of being stuck with existing older space it cannot sub-let. At least revaluation will set rate bills according to current rent values, which are likely to be much lower than the amount passing to the landlord. Whether that is enough to tip the balance in favour of a move remains to be seen.

UK RELOCATION 3

Christine Moir on how the Budget tax changes will affect companies

Hard-hitting rules opposed

FOUR of the top five relocation management companies have formed themselves into a consortium to lobby the Inland Revenue, Treasury officials and anyone else who has the chancellor's ear over the changes be made in the March Budget.

Mr Norman Lamont plans to raise £200m from a change of rules. Relocation expenses are to be capped at £8,000 per employee. Over that figure they are to be taxed as a perk of the job. The strict ceiling – which overturns a 40-year-old principle that all reasonable removal expenses should be tax exempt – is to apply immediately. Anyone accepting a job move since the tax year began is to be caught, as well as all those making the move after August 1.

The four management companies – Black Horse Relocation Services, *Lloyds Bank's* specialist subsidiary and the market leader; Pricoa, longest in the field and now owned by Prudential of America; PHH, the Californian-based multi-service operation; and Hambros Bank offshoot, Hambro Countrywide Relocation – reluctantly concede that this is no moment to defend *unlimited* tax exemptions. But they intend to argue specifically that:

■ The Chancellor has picked his £8,000 figure out of the blue. The true average cost of relocating is £25,600 according to a recent industry survey. The tax exempt ceiling should be immediately *lifted* to £25,000.

■ The transitional timetable is unfairly tight; since companies take their relocation decisions years ahead of a move, Mr Lamont's plan amounts to retrospective taxation. The old system should apply to employees deciding to move before April 6, 1994 and carrying out the move before April 6, 1996.

■ The third point has as much to do with a long-running battle between the Inland Revenue and the industry as with the Budget. Under the 40-year-old rules on relocation, tax relief was available on all reasonable expenses if a job move involved a change of residence.

Good plain English, you might think. About 1987, however, some Inland Revenue inspectors began to take a dim view of employees who merely rented out their old houses *rather than selling them before* moving jobs. They claimed that this did not amount to a *"change of residence" and* housing costs during the move were therefore disallowable.

Then came the property slump and failing to sell one's old home often became involuntary. The management companies tired of overturning unfavourable Inland Revenue rulings, case by case, on appeal. The consortium simply wants the change of residence condition abolished.

Similar arguments are also being marshalled by the CBI; its chief executive, Howard Davies, has written to Treasury Secretary, Stephen Dorrell, protesting that relocation expenses are not a perk, and a meeting is to be arranged with the Inland Revenue. The CBI, in fact, goes one step further than the consortium: it wants the expenses ceiling abolished altogether.

Nationwide Relocations, the eponymous building society's subsidiary thought to have the second largest market share, chose not to join the consortium. Instead it will be making its own, separate but identical, submissions to the Revenue, Treasury officials and MPs.

The consortium has hired one of the leading employee benefits tax specialists, Michael Kaltz of accountants Ernst & Young, to advise them. He declares: *"I hope and have* some anticipation that ministers and the Revenue will move on this."

But if they do not? "Make no mistake, this will hit us hard," admits Dominic Yeo, marketing manager at Nationwide. He is speaking for the industry as a whole.

Even before the Budget, *professional relocation companies* were thought to be involved in little more than 25 per cent of the 100,000 or so annual relocations linked to job moves. Three quarters of job movers must still go it alone or rely on personnel officers or what the trade calls "home searchers" – estate agents offering to take on the burden of finding an individual a new home in an unfamiliar town or county.

Professional relocation managers typically act as the employer's agent, ensuring that transfers of key personnel go smoothly. Sometimes the company itself is on the move, sometimes only the staff. In either case, finding new homes is only a small part of the whole.

All the leading players are capable of funding an entire move, either by means of offering bridging finance (against an indemnity from the employer) or by buying up the vacated property (at a price based on an agreed minimum valuation).

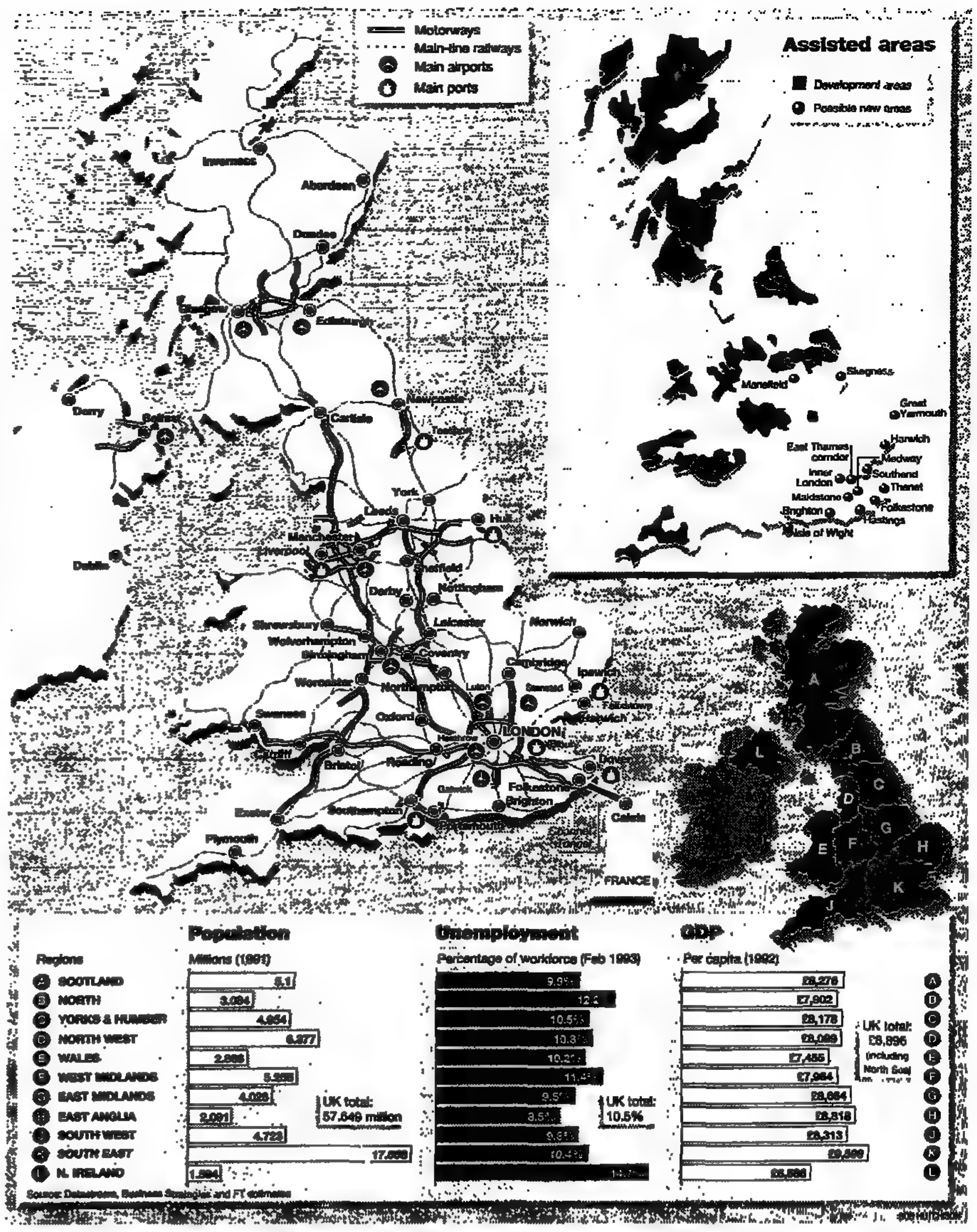
In a falling or sluggish market that can be expensive so any skill in shortening the process is a selling point. Phoenix Relocation, a relative newcomer to the industry in its present form, makes much of its "open days" on which it displays vacated houses to potential buyers after careful spring cleaning.

The range of services includes advising incoming staff on schools or opportunities for working spouses. It all depends on how much support the employer offers.

And that is where the Budget will rub. Companies that *need to move staff will have to* gross up the costs once they rise beyond £8,000 to compensate individuals for the tax liability. But since the grossed up amount will be treated as income and thus taxable, a second grossing up will be necessary, and possibly a third. Michael Kaltz estimates that the tax burden to the company could be 76 per cent under the Chancellor's proposals.

Michael Lansley, managing director of Hambro Countrywide which moved nearly 3,000 employees last year, believes the Budget will force companies to rely less on moving employees and more on using available talent in the new area – which could damage individual career prospects and discourage job mobility.

But the more immediate effect may be on the moving companies themselves. Corporate budgets being what they are, especially during recession, company directors faced with the increased costs imposed by the Budget, may have little choice but to do without the extra services offered by professional relocation managers, or even without them altogether.



TELECOMMUNICATIONS

Chance for a switch

WHEN UBS (formerly known as UBS Phillips & Drew), the merchant bank, moved to the Broadgate development near Liverpool Street station, London, in 1989, its telecommunications and information technology department had 20 *months to prepare for the* move, writes Mark Newman.

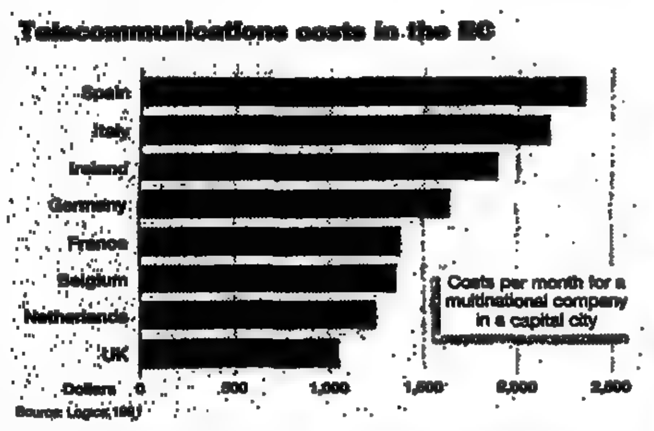
So crucial are telecommunications to the modern-day business that a company move needs years of planning to ensure that the full range of voice, data, public and private telecommunications services continues to function smoothly during and after the relocation.

An interruption to service – what the industry calls an outage – can cost tens of millions of pounds, even if service is resumed after only a few hours.

Ms Sandy Malone is head of BT's Business Movers Programme – a team set up last year to look after the needs of customers who are *planning* relocations. BT allocates a project manager to a company planning to relocate, whose role ranges from providing expert advice and taking instructions from the client to masterminding and managing the project.

BT, for example, managed *the* installation of telecommunications systems for Nissan UK at its Tyneside car plants. It has *also* managed a relocation for British Airways. Some companies outsource their moves to third parties, such as Andersen Consulting, because they do not want to be tied exclusively to BT or Mercury.

At UBS, the in-house telecommunications and IT team managed the move itself. "BT and Mercury were involved only on the periphery," says Mr Graham Marriner, UBS director of communications at the time of the move.



The main reason for keeping it in-house was that UBS had a chance to reappraise its telecommunications services and network strategy.

Before the move, UBS was predominantly a BT customer but thereafter, it handed over most of its outgoing traffic to Mercury, keeping BT largely for back-up purposes.

Nearly all large companies buy both public and private network services from BT and Mercury, both to encourage the two operators to compete on price and quality, and to provide a back-up facility in case of technical difficulties. *But* because switching *to Mercury* for incoming calls means having to change telephone numbers, many companies keep BT for incoming calls, and use Mercury for outgoing traffic.

UBS would have had to change telephone numbers anyway. Its move involved bringing seven separate London offices under one roof and on to the same number.

Switching to a new Mercury number, therefore, was no more of a problem than taking a new BT number. More than 70 per cent of the company's traffic now goes by Mercury.

Mr Graham Marriner reckons that the move resulted in 20 per cent savings in annual telephone bills. This is partly due to the switch to Mercury. The Cable & Wireless company has always been cheaper than BT for long-distance and international services, although the gap has closed over the last two years since BT introduced bulk discount schemes.

BT's discounts packages Option 40, Option 50, Option 70 and Option 2000 – provide reductions on basic charges in *return for additional quarterly* payments. The higher the quarterly payment, the greater the discount on calls.

Even with the discounts, however, Mercury remains on average 9 per cent cheaper than BT, according to the 1993 Octagon Guide to Telecommunications Tariffs, the independent price guide. And Mercury has responded to BT's packages by introducing its own discount scheme, the Frequent Caller Programme.

As well as the savings from switching to Mercury, UBS managed to cut its phone bill by re-evaluating its use of private circuits. It replaced thousands of analogue private circuits with higher capacity digital circuits which, when broken down into individual voice and data channels, work out much cheaper.

About 60 per cent of companies that relocate use it as an opportunity to re-evaluate their telecommunications strategy. This can mean switching from BT to Mercury, like UBS or vice versa.

But not all companies want to shake up their internal systems, and BT is careful not to impose new services on its customers. "Sometimes people get sentimental about their old equipment," says Ms Malone.

Most large companies plan their moves three to four years in advance, and give themselves plenty of time to arrange for the installation of telephone systems.

But this is not always true of small to medium-sized companies. "When people relocate, they often don't think about the time it takes to sort out telecommunications requirements. They forget to call the telephone company until very late," says Ms Malone.

David Lawson examines prospects for the troubled property sector

Moving picture has slowed down

GEOLOGISTS tell us the southern UK is gradually sinking into the sea while the north rises higher each year. The property market has finally adopted the same motion after resisting for the last couple of centuries. Rents have collapsed in the south, dragged down by the the contracting service sector.

They have not escaped north of the Wash, but the decline is less sharp. In other words, the pressure to flee high occupation costs around London has eased.

A great surge of relocation out of the south-east slowed last year and looks like drying up before long.

But more than "cost-push" factors are involved. Anyone looking to move has to shed their old building, an almost intractable problem when few replacement tenants are taking space.

Fewer than two dozen companies moved out of central London last year taking just under 11,000 jobs, according to Jones Lang Wootton's annual office decentralisation survey. That compares with 36 in 1991,

Fewer than two dozen companies moved out of central London last year taking just under 11,000 jobs

the peak for relocations. Only nine are scheduled to follow them this year and five between 1994-96.

The picture could change, of course. Property costs were the main reason for most moves and southern rents may rise again as the economy recovers. But that seems unlikely in the near future with so much empty space on the market.

The government may also begin another surge of reorganisation. Political decisions to disperse civil servants into the provinces accounted for almost 40 per cent of last year's relocations compared with less than 20 per cent in 1991. But the Treasury appears to have decided London is the best value for its charges.

English Heritage and the Prison Service have both cancelled moves, while the Ministry of Defence has juggled the number of posts involved.

Other current relocations might also have come to a stop if they had not progressed so far. Plans were drawn up at a time when space was short, rents high and labour scarce around the south-east. That is one reason why companies were tending to move much longer distances.

By last year only 35 per cent were within the region compared with almost 80 per cent in the previous decade. Big movers in 1992 included Eagle Star to Gloucestershire, the Departments of Social Security and Health to Leeds, National Grid to Coventry, Nationwide Building Society to Swindon and the British Library to North Yorkshire.

The taxman, true to reputation, was everywhere. Moves were organised to Cardiff, East Kilbride, Salford, Middlesbrough and Sunderland, according to JLW Research.

The top central London rent today is quoted by JLW at £37 a sq ft, around half that during the boom. Even that is optimistic, as there is plenty of space that owners would consider unloading at around £25 a sq ft – plus incentives such as rent-free periods.

"That might still look expensive compared with £12 in Newcastle," says Jean Crawford, senior relocations consultant at JLW. "But it still may not compensate for the cost of moving."

The CBI quotes an average of £24,000 to move each worker – although that could rise as high as £40,000 when including incentives such as guaranteed home-purchase packages. The chancellor did not help matters by slapping a limit on tax allowances for such incentives in the budget.

It was all very different during the boom. "Rents in leading provincial centres ran at about 20 per cent of London costs through most of the Eighties," says Peter Evans, head of research at Debenham Thorpe. "Then they jumped rapidly to 70 per cent, reducing the incentive to move." This was partly due to a catching-up process as some provincial prices doubled, but mainly because London crashed so quickly and so far.

Now everyone is feeling the cold. Rents in the regions fell by almost 16 per cent in the 12 months to March, says Weatherall Green & Smith, with only Southampton and Aberdeen showing any uplift. In the same period, however, London dropped far more, narrowing the financial gap. In the first three months of 1993 rents have stabilised in some places but continued to fall in the south.

Will decentralisation bounce back as the economy recovers? In theory it should, as relocation is highest at times of expansion, when firms need more or better space and find it hard to attract staff. But rents in London are likely to lag the general economic revival because of the surplus space available. "Cost differentials between central London and the provincial office markets are unlikely to start widening until the mid-1990s at the earliest," says the JLW report.

Political decisions to disperse civil servants accounted for almost 40 per cent of last year's relocations

That does not mean moves will not happen. Short hops are by far the biggest component in relocation but statistics are almost impossible to find unless companies cross local authority boundaries.

"Despite the high profile accorded to major, long-distance moves, the great majority of organisations relocate within the same town or city," says Mr Evans. Nowadays they are motivated more by the chance to pick up new premises at rock-bottom prices. Every agent from Croydon to Carlisle will tell you that the only business is coming from tenants within spitting distance of the space they are offering.

Other pressures can also lead to moves. Mergers are likely to accelerate as casualties of the slump are eaten up by stronger rivals. That can lead to two buildings being given up in exchange for a third more suitable one. Even the joining of healthy outfits can do this.

SmithKline Beecham took over The Fountains in Brentford, Middlesex, after merging. This was no simple amalgamation under one roof, however, as the scheme involved four campus buildings. But it served its purpose of giving a new expression to the unified company's culture.

The great stumbling block to such moves, however, is getting rid of existing space. Almost 30 per cent of City tenants questioned by Knight Frank & Rutley would like to use the low rents to find a better home but almost three-quarters were having trouble disposing of existing space. The vast majority are potential local movers who want to stay within the City, but the same problem would apply if they were aiming to travel across the other side of the country.

Landlords are no longer willing to take back leases when they know they may never find another tenant. Assigning leases is also often out of the question. Like many home-owners trapped in property worth less than the mortgage, these tenants are paying passing rents far above the current market level.

It would require a huge reverse premium to attract an alternative occupier and that, like the extra costs of moving staff, can wipe out any financial advantage in moving.

This is probably the main factor which undermined London's Docklands, which for a while became the nation's favourite relocation target.

Landlords are no longer willing to take back leases when they know they may never find another tenant

Poor transport and lack of facilities are still being quoted as reasons why companies refuse to make the short hop from central London and cut their occupation costs in half. But the real reason is the very public decision by the administrators of Canary Wharf not to support pledges by failed developer Olympia & York to take over tenants' old leases.

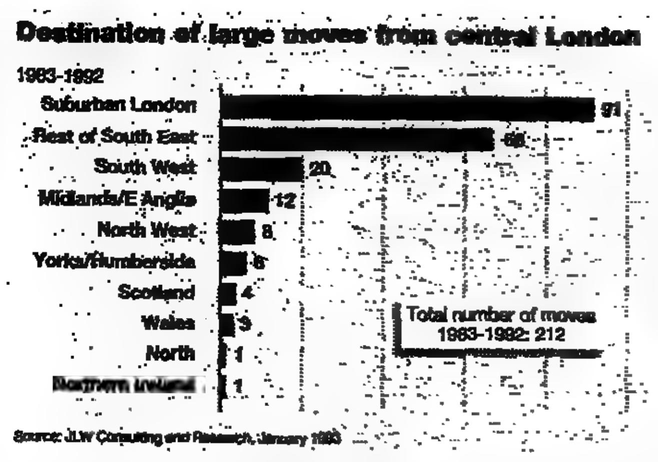
Even the government could not save the day. It managed to keep relocation totals ticking over by shifting thousands of jobs to Bristol, Edinburgh and Leeds, but proposals to move the Departments of Transport and Environment a few miles down river were howled down.

The silver tower's time will come, when it is too financially attractive to ignore. But not this year – perhaps not this decade.

It may take that long for central London occupation costs to recover enough to make a difference – and for relocators to find tenants to take their old buildings.

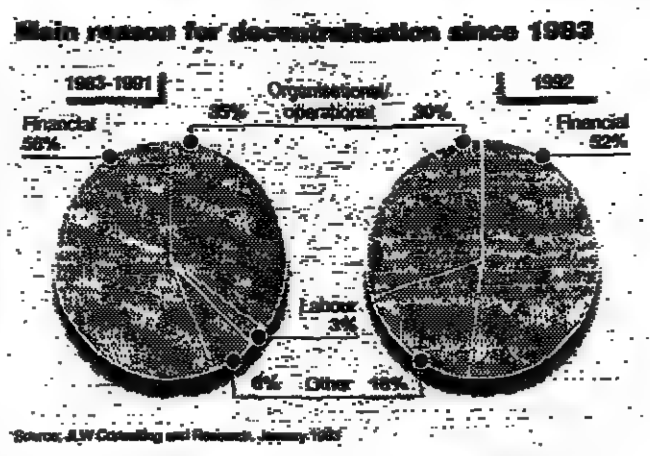
The provinces, however, will drift upwards without any help from London's cast-offs, relying on thousands of movers who are not so squeamish about making such a short hop.

Destination of large moves from central London



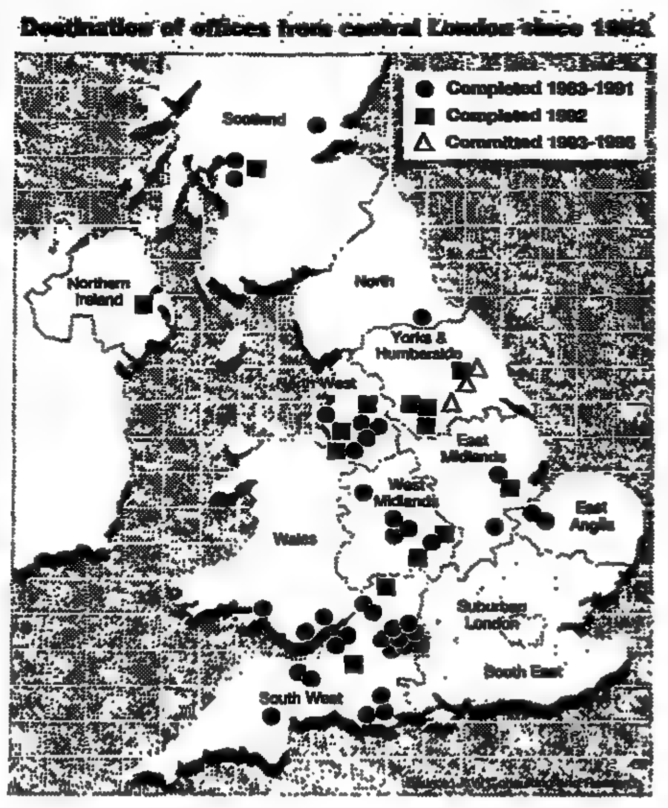
Source: JLW Consulting and Research, January 1993

Main reason for decentralisation since 1983



Source: JLW Consulting and Research, January 1993

Destination of offices from central London since 1983

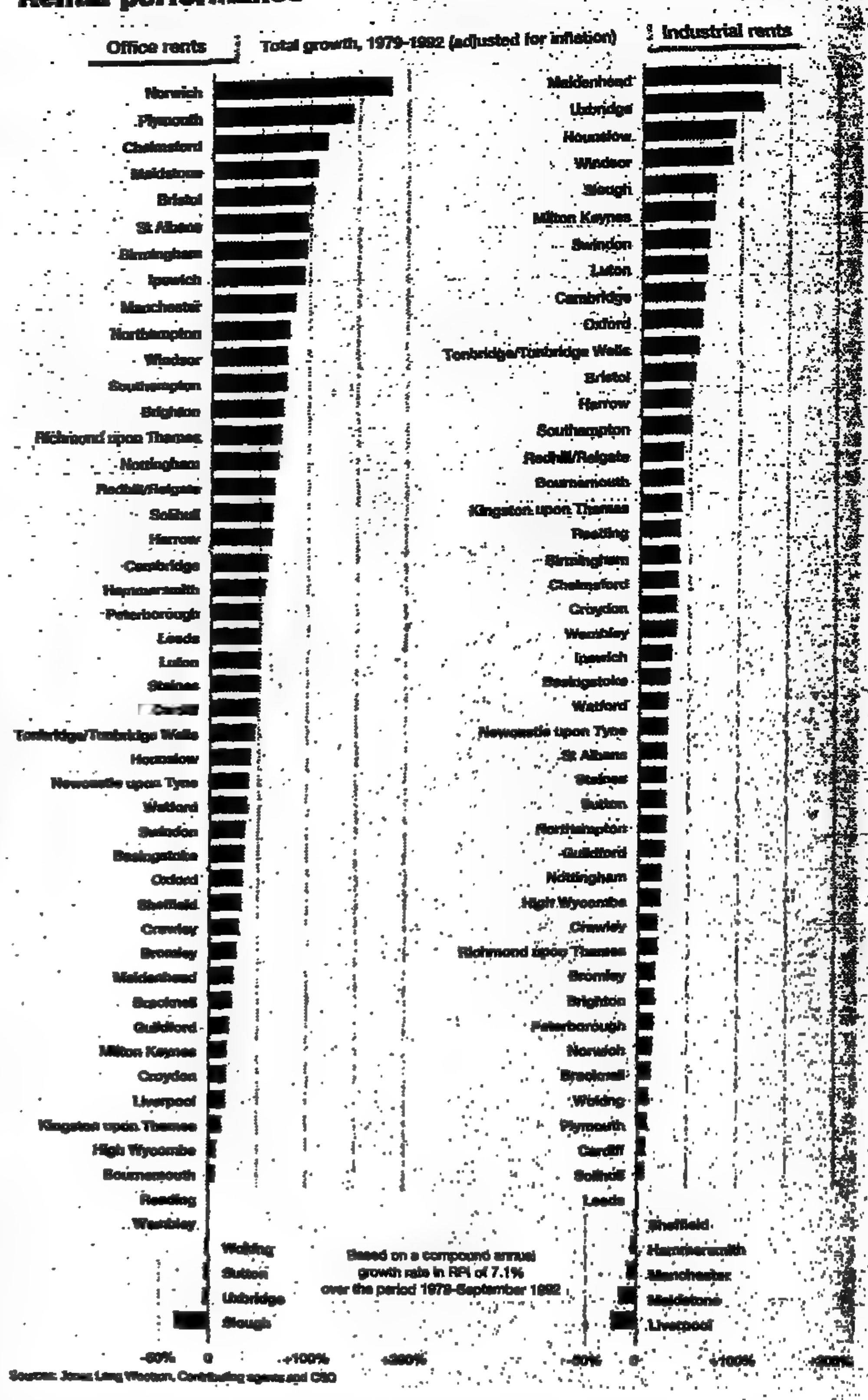


Projects by region 1991-92

Region	Number of projects	New jobs	Safeguarded jobs	Total jobs
East	9	471	4,210	4,681
East Midlands	4	254	0	254
North East	38	3,802	2,350	6,152
N. Ireland	11	364	732	1,096
North West	65	1,373	7,572	8,945
Scotland	39	4,001	820	4,821
South East	28	1,138	2,227	3,365
South West	9	2,644	790	3,434
Wales	71	5,187	5,491	10,678
West Midlands	43	1,848	3,676	5,524
Yorkshire & H	15	1,632	775	2,407
Total	332	22,714	28,643	51,357

Source: Invest in Britain Bureau

Rental performance



Source: Jones Lang Wootton, Contributing agents and CSO

Diane Summers discusses what can be done to assist individuals on the move

No problem with shift around globe

FOR Gary Montesano and his wife Eileen, moving with International Business Machines from a New York suburb to the south coast of England for a three-year assignment has been made easier by the IBM corporate machine.

Mr Montesano is working on the development of the Merlin helicopter for the Ministry of Defence. The Montesanos belong to the Merlin family group, which has its own newsletter, and Mrs Montesano takes their children along to the Merlin mother and toddler group.

The Montesanos, like other IBM employees and their families, are unlikely ever to find themselves abandoned in a strange country with no social contacts, no prospect of work for a spouse and an absence of advice on schooling.

IBM is practised in shifting its employees around the globe, although the moves have slowed down as a result of restructuring and cost-cutting. Indeed, the company was so practised, the joke used to be that IBM stood for I've Been Moved – or even I've Been Married.

Other companies with one-off or infrequent relocation requirements, within the UK or overseas, may decide they do not have enough specialist knowledge to deal themselves with the needs of employees' families. Alternatively, they may decide that if the financial relocation package is generous enough, it is up to employees to get on with sorting out their own problems.

Yet organisations may find themselves forced to face issues affecting the relocating employee's family – in particular, spouses' jobs and children's education – for they are increasingly the factors which deter employees from relocating.

A survey by the Confederation of British Industry found that nearly three-quarters of companies were meeting resistance from employees more frequently than used to be the case because of worries about the loss of partners' jobs. The cheerful, camp-following "trailing spouse" is becoming an endangered species.

As the CBI points out: "The phenomenon of the dual earning couple is an established feature of our current society. Not all women have career aspirations but many women, nonetheless, are used to their own earnings and financial independence. Consequently, many women may be reluctant to interrupt their careers or give up lucrative jobs to accompany their partners on international assignments." The same resistance, for the same reasons, is being shown by employees to moves within the UK.

One option open to companies without their own resources to provide advice and support for families, is to use consultants – either approached directly or as part of a package offered by the relocation companies such as Black Horse, and Nationwide Relocation.

Andrea Eccles, partner of the City-based consultancy Quantum, specialises in providing career counselling for spouses of employees who need to move because of their jobs.

For £160 a person, for example, Ms Eccles will run a one-day seminar for 10 people, covering the preparation of CVs, assessment of skills, tracking down leads for jobs and how to go about finding childcare. The last may be particularly important, she says, if a family is moving away from grandparents or other relations who may have provided much of the childcare in the past.

For those who are not intending to take up paid work in the new location but are concerned about making friends and having a role in their new community, Ms Eccles also provides advice on opportunities for voluntary work or, for example, becoming a Justice of the Peace.

For about £200, a half-day session of individual counselling is added to the day seminar, and for £425 the person being counselled will finish their session with 50-60 job leads and ready-typed applications.

Some companies may wonder why they should bother to spend such sums on individuals who are not even their own employees. First, Ms Eccles argues, it may make all the difference between retaining and losing a skilled worker over a move; second, the employee is likely to be happier and more productive at work if they are happy and settled at home.

The same principles apply to help with finding new schools for the children of relocating employees, according to Margret Price, who is retained as a consultant by Nationwide Relocation. She is a partner with Dean Associates, a consultancy based in Emsworth, near Portsmouth, which specialises in giving advice on education.

Her charge is £445 a family, irrespective of how many children she is asked to advise on – £540 if the family is moving to the UK from abroad. After talking to the family on the telephone about their requirements, she will produce a report on suitable schools in the area and send on school brochures and any other documents. Approaches to the schools contained in the report will already have been made to check places are available.

The differences between education systems in different countries may cause relocating families problems, says Ms Price. For example, those coming from the US may expect to see their children graded every couple of weeks and they may be alarmed by a greater emphasis in UK schools on individual research and less on working to textbooks.

School starting ages vary from country to country – a six-year old coming to the UK may be a year behind classmates. Even a move from England to Scotland can present difficulties: in England the academic year runs from the beginning of September, in Scotland it is the beginning of March. All these issues need considering before a move is made.

Relocating is a very stressful time for families as well as the employee who is being moved, says Ms Price. "There's a lot of focus on the property side, but little on education or partners' employment," she says. By paying for expert advice, "firms are buying an element of comfort for the family. It shows a caring attitude to the family, as well as providing information which will make it much more likely the family will settle," she says.

Example of relocation cost (employee home £85,000)

	£	VAT	Total	Sub-total
Disposal of old home				
Estate agent fees	1,700	297.50	1,997.50	
Legal fees	425	74.37	499.37	
Valuation fees	300	52.50	52.50	
Council tax	300	–	300.00	
Insurance	150	–	150.00	
Maintenance	300	–	352.50	
Bridging finance	4,250	–	4,250.00	
Relocation conveyancing	500	87.50	587.50	
Relocation management fee	*1,500*	*262.50*	1,762.50	
Loss on resale of vacant house	4,000	–	4,000.50	
	13,425	826.87	14,251.87	14,252
Purchase of new home				
Legal fees	425	74.37	499.37	
Stamp duty	850	–	850.00	
Land registry fees	170	–	170.00	
Valuation & survey fees	500	87.50	587.50	
	1,945	161.87	2,106.87	16,359
Miscellaneous costs				
Removal	700	122.50	822.50	
Travel	700	122.50	822.50	
Disturbance allowance	4,000	700.00	4,700.00	
Temporary accommodation	1,500	262.50	1,762.50	
Househunting trips	1,000	175/00	1,175.00	
	7,900	1,382.50	9,282.50	25,642
Additional housing cost allowance	13,440	–	13,440.00	
	13,440	–	13,440.50	39,082

Source: Black Horse Relocation Services Limited

CONTAMINATED LAND

Review may opt for varying standards

CONTAMINATED land is likely to rank high among the worries of any manager contemplating relocation.

With green shoots appearing and interest rates low, expansion or relocation may seem tempting, and safer than it has appeared for years. But the threat of contamination could make relocation impossible to finance; worse, if discovered after the move, it could saddle the company with unexpected liabilities.

The question has certainly given Whitehall officials unexpected headaches, as national policy has just been shelved after four years of wrestling to find a solution. The risk, officials and ministers fear, is that, as the economy claws its way out of recession, redevelopment of former industrial land could be hindered by the legislative uncertainty. As a result, relocation may tend to favour environmentally risk-free zones, thus increasing pressure on the green belt.

Although estimates of the amount of contaminated land in the UK vary, Whitehall officials, industrialists and environmentalists agree that the problem is there. According to a report last month by the Centre for the Exploitation of Science and Technology, the industry-backed research group, there could be some 100,000 hectares of contaminated land in the UK, covering some 50,000-100,000 sites.

The market in restoring *land quality could be* worth £1.8-4bn between 1992 and the end of century. This is about 20 per cent of the spending that will be needed but environmentalists regard the estimates as too low

A widely-publicised appeal court ruling in November reminded companies, if they needed reminding, of the potential liabilities. The court held Eastern Counties Leather responsible for pollution of underground water tapped by Cambridge Water, even though the contamination had occured nearly two decades ago.

Detailed estimates of the potential costs of cleaning up the UK are necessarily scarce. But according to CEST, the UK market in restoring land quality could be worth £1.8bn to £4bn between 1992 and the end of century. It adds that this is around 20 per cent of the total spending that will be needed to investigate and clean up fully – but environmentalists regard these estimates as too low.

The government attempted to address these problems through Section 143 of the 1990 Environmental Protection Act. This placed a duty on local authorities to compile and maintain registers of potentially contaminated land, which had been used in the past for certain specified industrial activities.

However, the proposals for a register, which were made less demanding after one public consultation, have now been scrapped following a second. The registers aroused fierce and sustained opposition from the property industry, industrialists and homeowners, because they would have recorded potential rather than actual contamination. Critics argued that it would cause property blight over much of the country, including perhaps a third of the Black Country, the former industrial heartland.

Bankers and insurers warned earlier this year, in a report by the government's advisory committee on business and the environment, that raising finance for expansion where liabilities were hard to quantify could be hard, thus restricting the ability of companies to move and grow.

The confusion over the government's intentions was increased when the dropping of the register was followed rapidly by a postponement of the similar "duty of care" rules on waste-management companies, also part of the 1990 EPA, which would have imposed a unending liability for pollution from landfills (rubbish dumps).

The government has said that the delay is caused by the technical problems of harmonising EC and UK law. But it is clear that the local authorities' obligations to monitor the pollution, and the question of where liability would ultimately rest, similar questions to those raised by the register, were also causing concern.

It would be wrong to suggest, as some environmentalists did, that the row over the register proposals paralysed the industrial property market. In a survey in January, property consultants Hillier Parker argued that the market had not resorted to panic, but had rapidly become sophisticated in judging probable liabilities and reflecting them in transaction values. "A majority of respondents said that they would make an adjustment in their offer figure rather than withdraw automatically from the site", it concluded.

But it is clear that a different approach is needed. The government appears to have rejected the purist's – and environmentalist's – solution of requiring local authorities to compile a full list of actual contamination, because of the costs this would impose on them, which many of them, already strapped for cash, could not support.

The government is now setting up a third, three-to-four month review to look at where to go next. It is considering whether to adopt different standards for different land, depending on future use: land buried under a car park might need lower standards than that used for housing.

But according to Ms Clare Deanesly, of Gouldens, the solicitors: "I don't think the removal of the register has taken the issue away, now that it is on the agenda. It has become a matter of local conveyancing practice." She points out that, in practice, planning authorities still have the authority under separate regulation to impose the clean-up of land, and adds that "in practice [the register proposals] simply increased the issue's prominence".

The government appears to have rejected the environmentalist's solution of requiring local authorities to compile a full list of actual contamination, because of the costs this would impose on them

There is unlikely to be a single solution to the problem of how to identify and clean up the UK's contaminated land, and how to finance that improvement. It is clear from property companies' continuing worries that, while they welcomed the dropping of the register, they would find removal of the uncertainty an additional help in doing deals.

But the evidence of practitioners suggests that the market is finding its own ways of dealing with the issue, and probable contamination is increasingly reflected in the price.

Companies considering relocation cannot ignore potential contamination, but are more likely than several years ago to find conveyancers and bankers who can accommodate it with equanimity, and may find that it is not the deterrent to moving that some once feared.

Bronwen Maddox

UK RELOCATION 6

PROFILE: Black Country

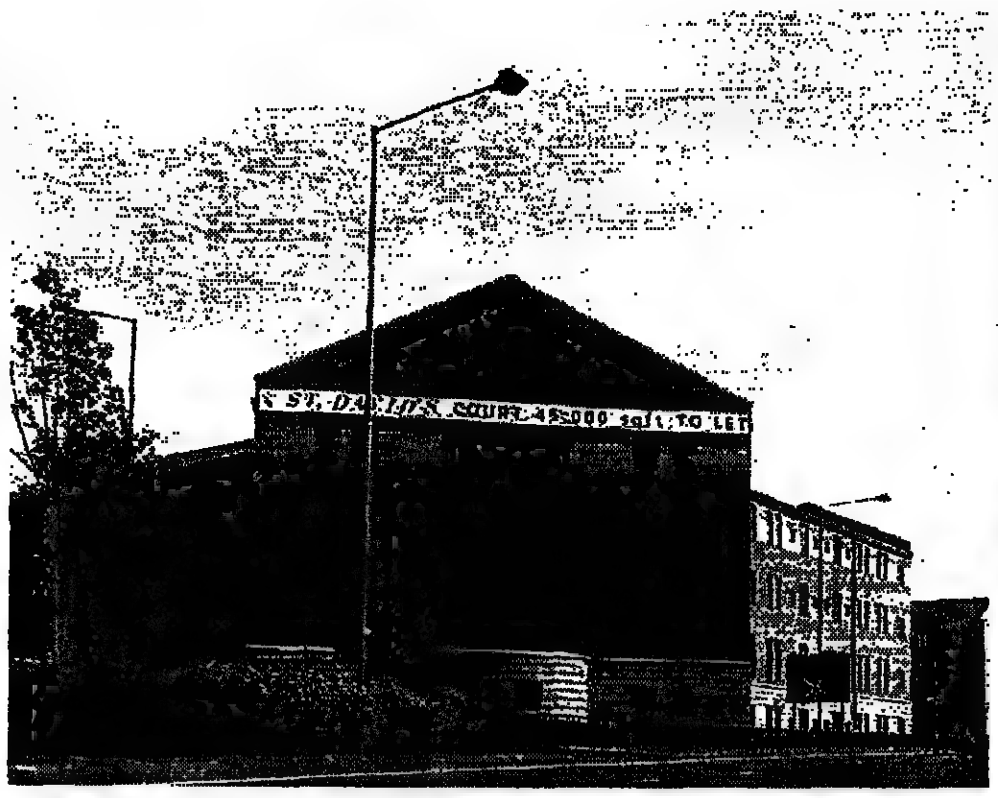
Familiarity breeds success

BLACK Country Development Corporation started work in 1987 with the aim of creating 25,000 jobs over a lifespan of about 10 years. Bringing new companies into one of the most derelict industrial areas of the UK was one way of achieving that end. Helping the expansion of those already in the area was another.

For the fledgling corporation, charged by the government to regenerate 10 square miles – a tangle of factories, homes, small shopping centres, narrow roads, canals and rivers between Birmingham and Wolverhampton – the first task was to establish awareness that the Black Country exists. London Docklands and Leeds are readily identified. Not so the Black Country, said Mr Ian Page, the external affairs director. "Our initial technique in the early days was to get the name of the Black Country across to people – where it is and the role of BCDC as a facilitator," he said. And that, as its heavy advertising shows, it is still doing.

In the late 1980s, BCDC did not have extensive land or prepared sites to offer incoming companies. Indeed, a strong element of its work has been the assembly of land, frequently in fragmented ownership. While the economy was growing, the effort was directed towards drawing property developers into the area.

But as the momentum of BCDC's activities gathered force, the economy went into decline, forcing a change in the emphasis of its approach to land assembly and sales. "With recession and the developers not being prepared to do speculative development, we looked more towards end-users and occupiers," said Mr Page.


St David's Court office complex in Wolverhampton


Langley Maltings: the Black Country is being regenerated

Five years into its life, BCDC has accumulated land, most notably at and around the old Patent Shaft Steel Works site. Here it has been able to focus its marketing pitch from the general to the specific by offering the site as an automotive components manufacturing park. It is having talks with two British subsidiaries of German and US manufacturers.

The planned components park points up the strength and the weakness of BCDC in the relocation marketplace.

First, the Black Country is playing to its traditional economic role as a manufacturing area, rather than as an area for glitzy offices. Second, its geographical position, close to the M5 and M6, puts it within easy reach of the motor assembly plants of the Midlands.

Third, while its central location is an advantage, the internal transport links have been poor; hence the importance which has been attached, since BCDC's inception, to building a new road which will provide dual carriageway access to the motorways from the Patent Shaft site. Only now is construction beginning.

The translation of promise to execution for better internal transport links, added to the hard-won possession of sites, means that BCDC is now able for the first time to go to, for example, automotive component fairs in Detroit and property investment exhibitions in Cannes with, as Mr Page put it, "something to sell".

Although, the gradual return of confidence which appears to be seeping into the UK economy no doubt has something to do with it, the level of inquiries for sites in the BCDC area is this year running one third up on last year.

Most of the inquiries from overseas companies come to BCDC through the West Midlands Development Agency, a body which, with a mixture of locally generated and central government funds, acts for the region as a whole in seeking to attract inward investment. BCDC does not seek to duplicate the role of the WMDA, but rather to co-operate with it.

To attract British companies, however, it is on its own and in competition with nearby centres such as Birmingham, Coventry and Telford. If a company wants a greenfield site, it will not be attracted to the Black Country. But, like other development corporations, it has an array of powers to help incoming and resident companies.

It is the planning authority. It administers, with the department of environment, city grant. It can ease applications for regional selective assistance. It can put companies in touch with local authorities to obtain funds under the Inner Urban Areas Act.

These powers have been used recently to assist overseas companies such as Bohler, the Austrian steel importing and processing group, Hofesa, the Spanish curtain track and window blind company, Huf (UK), the subsidiary of the German locks manufacturer, and Luigi Fontana, the Italian fasteners company, all of which have recently arrived or have expanded foot-in-the-water operations.

Similarly, British companies which have consolidated manufacturing operations in the Black Country from other parts of the UK include Laporte, the chemicals group, John Cotton (Colne), the car headliner manufacturer, and Biwater Engineering Products, the water engineering group.

No figures are available which separate out jobs created by inward investment, jobs created by companies relocating their operations or jobs created by corporate expansion in the area. Nor indeed are there figures for jobs lost by companies moving out of the area. But BCDC said that jobs on new developments established since it came into existence totalled 9,398.

Paul Cheeseright

PROFILE: Fairey Hydraulics

Transfer to pastoral setting

FAIREY HYDRAULICS, a division of the Fairey electronics and engineering group, has exchanged the obscure charms of Heston, near London's Heathrow airport, for a factory in Avon set beside a Georgian house with stone walls, primroses, and sheep and cows grazing in the surrounding fields.

For a company making safety-critical controls systems for the aerospace and defence industries, it might seem a pastoral setting, although its site, on the edge of the village of Claverham, is within a few miles of Weston-super-Mare and even closer to the M5 motorway.

Fairey Hydraulics completed its move just over a year ago as part of a group relocation from the 10-acre Heston site, where Fairey had been for some 40 years. "The site was far too big for the situation facing the Fairey companies and we needed to move away," says Simon Frost, managing director of Fairey Hydraulics.

It was decided that the group headquarters would go to Egham in Surrey but the main relocation was of the hydraulics division to Claverham, where its research and development had been situated for 10 years. "That was a hangover from the days when it was fashionable to have your R&D somewhere in the country away from the rest of the company," says Mr Frost. "We did consider other areas but we felt relocating our key engineering personnel who were already at Claverham was unacceptable."

At the same time, it was decided to restructure the division. At Heston, there were about 400 staff; at Claverham today, there are 300. "We were very fortunate that our strategy to consolidate in the west country and make the company a little smaller was slightly in advance of the reduction in the aerospace and defence industry," says Mr Frost.

In late 1989, a small pilot scheme was set up to test the local manufacturing skills in advance of the final decision. "We were very satisfied. It really gave us confidence," says Mr Frost, an engineer who joined Fairey that year from General Electric Company.

The decision to go to Claverham and seek planning permission for a new factory was announced to the staff in summer 1990, some 15 months before it took effect. Mr Frost says: "I did the initial announcement myself and then we set up counselling sessions so that everyone was seen individually within a week or so.

"I think people were very disappointed but we gave them a lot of notice which deadened the pain. We had to trust the workforce to keep supporting us during the relocation period, and they kept up manufacturing output right through the move." He adds: "By going public to the workforce, it made the whole thing very open and it did mean there were no rumours, everyone knew what was happening."

The move coincided with the slump in the housing market

Fewer than half the staff were offered the chance to relocate. "We were setting up a different organisation culturally. It was a reincarnation rather than a removal. We offered jobs to about 150 out of the 400 people at Heston. Any employee had to be capable of adapting to the new systems and practices of our reorganised company here. That was the criteria – was the person sufficiently adaptable and, was his job actually going to be relocated here?" The oldest employee to move is older than 60.

Weekend visits to Avon were organised and about 100 families arrived by coach. "To the average city dweller the thought of moving to the country isn't always as attractive as one might think," Mr Frost says. Meetings were arranged with teachers from local schools and estate agents. "A good incentive at the time was that value for money in housing was significantly better here than in west London."

More than half of the workforce did not wish to, or could not, move. "We ended up relocating about 60 people. In terms of relocation we were very pleased. We were told to expect possibly 10 per cent acceptances, so our worst case was 15-20 employees and we trebled that." For those who did not move, Fairey offered what it describes as an enhanced redundancy package – above the statutory requirements.

The company then set about recruiting 200 people locally. Mr Frost says, "We really are delighted with the attitudes, the capability and the interest of the new employees we recruited in the area."

At an early stage the consultants PE International were involved in the project management of the new building and advising on personnel matters. Bob Waghorn of PE acted as project manager – it was essential, says Mr Frost, to have someone who did not have a line management responsibility to supervise the move.

The Heston site, with its factory in converted hangars, was sold for £9m. The Claverham site of about nine acres, once a medieval manorial estate, included listed buildings but had been used for some 200 years for industrial purposes, first as a leather tannery and then as a tobacco factory. Fairey consulted with the district council, Woodspring, over the planning application for the new factory of 60,000 sq ft. The boardroom is now in the Georgian house.

Fairey was not eligible for any grant aid, but Mr Frost said it received support and encouragement from Woodspring marketing department and from Bristol city council's economic development office. Graham Turner, chief marketing officer of Woodspring, says the council had "a good honest relationship" with Fairey. "We've been delighted – it brought 200 new jobs to the district and safeguarded many existing jobs in the defence industry in the area."

For those employees who moved from Heston, Fairey offered a standard relocation package covering legal costs, estate agents' fees, and some help with accommodation while house-hunting. "You have to be as flexible as you can to deal with each family's circumstances," Mr Frost says. "We evaluated using a relocation agency and decided in the end we could do it reasonably well ourselves."

The move coincided with the slump in the housing market which created its own problems. "We provided many months of support for people travelling to and from west London. One or two are still letting their houses but the majority did manage to sell, although one or two are still commuting."

Mr Frost comments: "I think most of them are happy to have secured employment and many find they are experiencing a better quality of life. But quite a few have relatives back in London which puts a damper on things. Two or three of the 60 have decided to return to London."

The new factory started production in January 1992. "We took the opportunity to build a factory in tune with the 1990s, a wonderful opportunity not to be missed when relocating. The most significant change was getting paperwork out of the system, using modern data recording techniques and computerised stores." Fairey had been unionised at Heston, but at Claverham it set up an elected forum. "There have been no labour relations problems. We have been very satisfied with the support our workforce has given us," Mr Frost says.

Of the relocation, he says, "I have no reservations whatsoever. It was the right decision. But I wouldn't recommend it as a regular thing for a company. There is a great deal of work if you do it properly and that can make you take the eye off the business ball."

Speaking with hindsight, he says: "I think we were lucky to hit on the right formula. It was important to have consultants in at the beginning who had seen other companies go through it. We should probably have allowed slightly more time for the final start-up operations. It worked but it was very tough."

Roland Adburgham

Winning investment is only the first stage, reports Chris Tighe

Company care becomes the focus

INWARD INVESTMENT in Britain will change in the 1990s, according to the Northern Development Company, the economic regeneration body for north east England and Cumbria.

In the past decade, UK inward investment organisations have focused on chasing greenfield projects, a competition in which north east England, with high profile Japanese catches like car maker, Nissan, and microchip manufacturer, Fujitsu, has been conspicuously successful.

The worldwide search for new projects continues. NDC maintains a strong profile in the world's most promising inward investment target areas through nine overseas offices, including two in the US and two in Japan, the biggest investors into the region.

In the last six months alone, it has announced a clutch of new investments and acquisitions by companies from Hong Kong, the US and Switzerland, ranging from television manufacture and knitwear production to telephone marketing services and the purchase of Sunderland University's electro-magnetic compatibility testing facility.

But the agency now sees winning inward investment as only the first stage. The new challenge is to evolve a support role, to ensure the investors it has gained remain and prosper. "We need to plan in the knowledge that reinvestment, development of the existing investment base, will be far more important in the 1990s," says Mr John Bridge, NDC's chief executive.

"It may well be the plant here is in competition with the plant in, say, France to get the ear of the parent in the US. A third party can be quite helpful."

The NDC is not alone in this view. At a recent Newcastle University seminar Professor Neil Hood, director of the Strathclyde International business unit, argued that British inward investment agencies need to develop an aftercare and support role.

"Many so-called multinational companies are not remotely multinational," said Prof Hood, ex-director of the inward investment agency, Locate In Scotland. "The managers are largely left on their own to compete for investment within the company. Local agencies can help them."

Increasingly, he said, foreign investment in the UK was in the form of joint ventures and acquisitions, yet inward investment projects, although small and declining in number, were still being keenly pursued, partly because of their glamour. Many agencies, he suggested, are ill-equipped for the more subtle and resource-intensive role of supporting existing investments.

NDC, however, says it has already responded to this trend by allocating staff to new areas of activity over the last two years, including supplier linkages, support in securing further funding, and an aftercare programme for inward investors. Some may, for example, need help with training. Others may have tentative plans for expansion, which NDC can help them realise.

Around 40 per cent of new inward investment-related jobs in the region now come from expansions and reinvestments, says Mr Chris Fraser, NDC's director of operations.

In the 1960s and 1970s the region saw enclave investment, says Mr Bridge, with overseas companies setting up self-contained plants. Now, he says, the area must aim for embedded investment, so the inward investment is just the starting point for a complex web of linkages.

Overseas investment in the region is estimated to have created 24,405 new jobs, and safeguarded a further 11,800 between 1985 and the end of 1992

Creating these linkages – the growth of a locally-based automotive supplier base for Nissan's Sunderland plant is an example – will, it is hoped, encourage spin-off investment and ensure plants remain.

The region now has investments by more than 350 overseas companies. More than 120 are North American-owned, and 50 Japanese. It claims to be the principal European centre for manufacturing investment from the Far East. But while the US has resurged as a source of inward investment, interest from Japan is very flat.

Although NDC is firmly established within the north east as the co-ordinating body for inward investment – Cumbria keeps its options open by also being a member of Inward, NDC's north west counterpart – County Durham has its own development company (CDDC), set up to raise the profile of a county which has to compete against neighbouring urban heavyweights Tyne and Wear and Cleveland.

The CDDC, which sees itself as adding value to, rather than competing with, NDC's efforts, is hoping the expected creation of an enterprise zone in East Durham will help regenerate an area which has lost its last four pits, employing 4,000 men, in the last three years.

John Elliott, CDDC business development executive, says that while the era of big investment projects may be past, there is a myriad of small and medium sized opportunities to aim for. He hopes Durham University's proposed £30m science park will help attract quality investors.

In Northumberland, the county council has opted for some lateral thinking to encourage investment, by targeting companies in which its superannuation fund has equity stakes.

Between 1985 and the end of 1992, NDC estimates overseas investment in the region created 24,405 new jobs, and safeguarded a further 11,800. The estimated capital spend was almost £3bn.

The safeguarded category covers acquisitions of existing plants in the region by overseas investors. One recent example is the purchase last month by the Whiting Company of Vermont, of South Durham Fibres, based at Bishop Auckland. The plant, which makes PVC and polyester filaments, will become the European manufacturing base for Whiting, a synthetic fibres manufacturer.

In 1991 and 1992, safeguarded jobs were proportionately more important than in the 1980s, accounting last year for almost half the total 5,784 jobs secured. The NDC is aiming to secure a total of around 5,000 jobs a year through inward investment. The total UK annual figure is around 50,000.

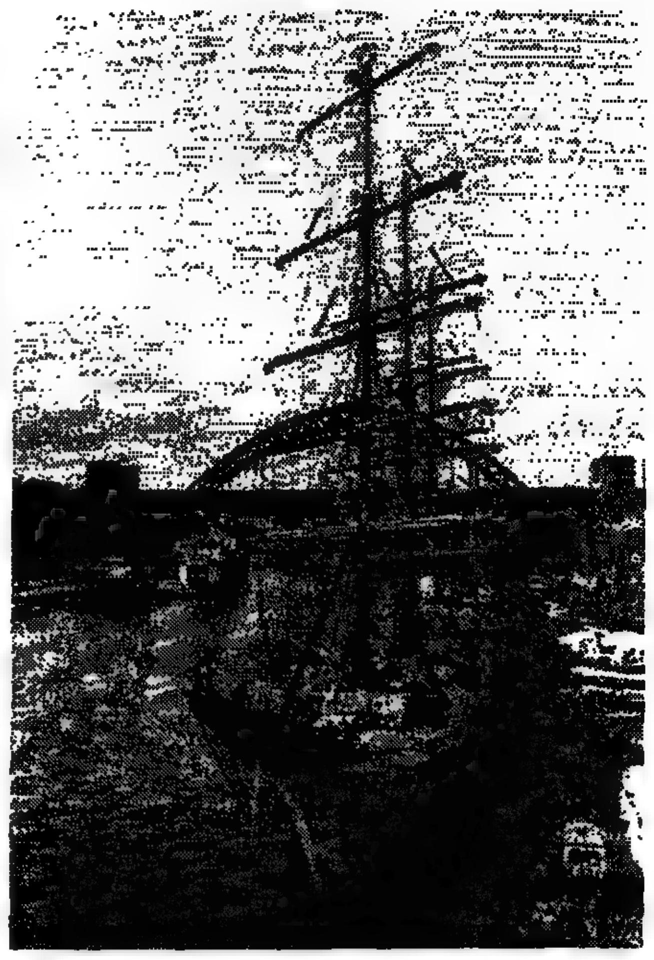
It could be argued that inward investment's importance in the region's economic base has been overestimated. An analysis by Northumbria University academics Frank Peck and Ian Stone of 1980s' incoming greenfield manufacturing investment in the region pointed out that it comprised just 5 per cent of the total stock of manufacturing jobs at 1989 levels. However, they also noted the newcomers were creating the type of jobs – full-time and for men – badly needed in the region.

The NDC's Agenda for the North, its strategy for long term economic growth, published last December, stresses that inward investment has played an important part in maintaining the region's manufacturing performance, creating new sectors, such as semi-conductor manufacture, and strengthening growth sectors such as electrical and electronic engineering. It also suggests inward investors have upgraded quality levels achieved by suppliers, improving export performance.

On the downside, it notes an absence of some key research, design, development and marketing functions among the northern operations of overseas companies, but points out this is a general problem for the region, as UK headquarters are overwhelmingly concentrated in London and the south east. Advantaged though it is in this regard, southern England has, nevertheless, been lobbying hard over the redrawing of the assisted areas map.

The importance of UK government regional aid, which also helps unlock European grants, is undisputed. Between 1987 and 1992, every one of the 82 new greenfield overseas investment projects in the northern region went to assisted areas. Of 202 projects, including new arrivals, joint ventures, acquisitions and expansion, 95 per cent were in assisted areas.

"If some parts of the south of England get it and we retain what we've got I wouldn't be too worried," says Mr Bridge. "If they get it at the expense of parts of the north, I would be more concerned."



The Cutty Sark tall ships race returns to Newcastle from July 14 to 17 as part of the city council's 1993 marketing programme to attract potential relocators. In 1986, the race brought £318m of investment to the area

PROFILE: Cumbria's coastal strip

Investment initiative launched

JUDGING by the glossy brochures which promote most parts of Britain, there are certain factors – beautiful scenery, executive housing, good communications – which tip the balance when companies consider relocating.

The brochures, however, are often more coy about another crucial consideration – the availability of grant aid.

A certain embarrassment lingers about admitting the need for financial incentives to attract inward investment.

But the fact the Department of Trade and Industry has received 2,000 representations lobbying for inclusion on its redrawn assisted areas map shows the significance of such aid, which also attracts European funds.

Nowhere was the announcement of the new map more anxiously awaited than in the Cumbrian Travel to Work Areas of Workington, Whitehaven and Barrow-in-Furness.

Superficially, the unemployment statistics of Cumbria's coastal strip might suggest it has fewer problems than many other parts of Britain; in February, the unemployment rates for Workington, Whitehaven and Barrow TTWAs were 12.5, 9.8 and 9.4 per cent respectively, compared with a UK rate of 10.5 per cent.

But behind the figures lie deep-seated structural problems; the Cumbrian coastal strip, already tussling with difficulties of geographical peripherality, poor road, rail and air links and traditionally low levels of indigenous entrepreneurship, is in the middle of considerable job shedding at its two dominant workplaces, the Sellafield nuclear waste reprocessing site and VSEL's shipyards in Barrow-in-Furness. Consultants have predicted unemployment will rise sharply. In Copeland's case, the latest forecast is unemployment of more than 20 per cent by the end of 1994.

Although phased over a few years the job cuts – at least 6,000 from the Sellafield site and more than 9,000 from VSEL – are especially traumatic because of the lack since the 1970s of any substantial inward investment into the area to diversify its industrial base.

"Nothing of any major significance moved in during the 1980s in the whole of West Cumbria," says Alan Williams, business manager of the West Cumbria Development Fund.

British Nuclear Fuels, which is ploughing more than £1m annually into the fund to encourage economic regeneration, is also building on its presence as a big local purchaser and source of technological know-how by developing the new Westlakes science and technology park near Whitehaven.

So far, 15 companies, employing 102 people, have been signed up, filling Westlakes' first phase. Of these, seven are from outside the area. None is a total relocation; their headquarters remain elsewhere. Phase II, now under development, will be marketed to attract more businesses from outside West Cumbria.

The Northern Development Company, responsible for encouraging inward investment into north east England and Cumbria, believes indigenous growth is crucial to long-term regeneration of the Cumbrian coastal strip's economy. "The real gains lie in local business development," says NDC chief executive Dr John Bridge.

In the shorter term, however, local economic development bodies believe significant inward investment, either by companies relocating or expanding, is vital to create more jobs.

In a spirit of self-help, the county's public and private sector and job-creating agencies have created the Cumbria Marketing Initiative, a £1m campaign to attract inward investment, launched in Barrow last October by board of trade president Michael Heseltine.

Under the slogan "Cumbria will work for you", it aims to raise awareness of the county as a potential business location. Last month it reported it had generated more than 100 inquiries from companies "interested to learn more about the benefits of relocating to Cumbria". These inquiries are being chased up and a harder-sell second phase campaign is planned for year two.

Self-help, though, cannot surmount every obstacle. Unintentionally underlining the area's remoteness from Westminster, four ministers have since October at short notice cancelled visits to Copeland. Among them was Mr Heseltine, who had to cancel the latter part of his Cumbria Marketing Initiative launch when bad weather grounded his helicopter, needed because the road from Barrow to Whitehaven was far too slow.

"Self help can only be part of a total package; at the end of the day we have to offer incentives," says Bob Metcalfe, Copeland borough council's director of development and services. "There have to be sticks and carrots; the carrot of Regional Selective Assistance is absolutely vital."

At present, Workington TTWA has Development Area status, but Copeland and Barrow are non-assisted, placing them at a severe disadvantage. Even within West Cumbria, Workington's DA status has caused imbalance; 80 per cent of business developments assisted by the West Cumbria Development Fund in recent years have been in Allerdale, which includes Workington.

Sellafield's expansion cost Copeland its development area status in 1983; ironically, it is the site's job-shedding which has made the borough's pleas for assisted area status more insistent.

In support of the three TTWAS' bid for DA status, Cumbria county council argues that nearly 50,000 people work in manufacturing and energy-related industries within them, about 70 per cent of the county's employment in these sectors. In the 1980s, their performance helped raise Cumbria's gross domestic product from below to above the UK average.

Without new industrial development in Barrow and West Cumbria, says the council, Cumbria GDP will fall back to early 1980 levels, when it was 10 per cent below the UK average.

The area's problems, the argument runs, are structural, not cyclical. "While the south east will get better of its own accord, we're going to need an injection of new business in this area to broaden the base," says Furness Enterprise chairman Mr Alan Forsyth.

The intensive national lobbying over the new map and the new aid for pit closure areas – Cumbria's mines shut too soon to benefit – are viewed with some gloom in the county.

"There is a distinct possibility the assisted map will be drawn on a political basis rather than a needs basis," says Mr Metcalfe. The investment which assisted area status should attract is crucial, he says. "If we don't get that we are in terminal decline."

Chris Tighe

PROFILE: Scotland

A useful lesson in happy endings

THE job of Robert Crawford, head of Locate in Scotland, is to attract inward investment. But for three months until the end of February this year most of his time was spent trying to prevent some of it seeping out.

The problem that confronted him was the threat posed to Digital's plant in Ayr, south-west Scotland, by the US parent company's need to retrench in the face of losses. Digital had to decide whether to close its plant at Galway in Ireland or shut down Ayr.

In the end Digital decided to maintain the Ayr plant, which was producing its new Alpha personal computer, and shed 780 jobs at Galway, though a further 350 employees there were retained. Some 980 jobs at Ayr were saved.

It was a happy ending after a very tense few weeks for Mr Crawford and Locate in Scotland. For him it underlined several lessons in the present state of the inward investment market.

First, countries which benefit strongly from inward investment by multinationals have to face the threat posed by corporate rationalisation. Even if companies are doing well, they may still need fewer plants in EC countries because of economies due to standardisation of products in the single European market and the easing of inter-country barriers. Even if plants do not close they are often employing fewer people.

Second, it reminded him that "you've got to retain what you've got and grow what you've got. You could spend a lot of time chasing after new investments, while existing investors are leaving your patch."

The statistics for inward investment (investment from other countries) and for relocation (movement from the rest of the UK) are now being totted up for the year to the end of March 1993. Mr Crawford gives no sneak previews but says: "I have been very pleased. Things are going quite well."

But he is not necessarily claiming that 1992/93 was a better year than 1991/92. The fact is that both inward investment and relocation into Scotland have gone off the boil since the late 1980s. In 1989/90 Scotland attracted 64 projects with a total of 12,300 jobs planned, involving investment worth £853m. In 1991/92 some 59 projects were announced, with 6,000 jobs planned and a total of £381m to be invested.

Japan has been "quiescent" as an inward investor because of its recession

Japan, Mr Crawford points out, has been "quiescent" as an inward investor because of its recession, though the new town of Livingston recently won an air-conditioning equipment factory by Mitsubishi Electric, which already has three plants in Scotland.

A number of other medium-sized investments have been decided in the electronics sector, mostly by US companies, while Escom, the fast growing German personal computer maker, is a relatively rare European entrant.

The importance of existing companies was underlined a few days ago when International Business Machines at Greenock confirmed it was giving Mimtec, a Scottish assembler, a big contract to assemble its PCs. The deal will lead to the building of a 300,000 square foot factory employing 300 people at Gourock.

Mr Crawford says that Locate in Scotland needs to keep in touch with existing investors to be able to anticipate their parent companies' next moves and get Scotland on to the short list of locations before a project has even been decided on.

Locate in Scotland is also looking for new industries to encourage, to move away from heavy dependence on the electronics sector, which employs about 45,000 people. One idea is to build on the particular strengths of Scottish universities in the field of opto-electronics. Although there are a number of Scottish-based companies in the field, the industry is dominated by Japan. If Japan were to internationalise its industry Scotland should be put high on its list of possible locations.

The recession in the UK has slowed down the flow of relocations from the south of England. In 1990/91 the number of jobs announced as being relocated into Scotland from the rest of UK was 5,200; the following year it was 1,400. Yet there is still a trickle.

Elonex, the London-based personal computer company, is setting up an assembly plant at Cumbernauld through its associate Cordata.

At the high value end of the market Cray Systems has opened a software centre at South Queensferry near Edinburgh.

What will happen after Scotland's five new towns are wound up between 1995 and 1999?

It will be noted that many of the towns mentioned in this article as receiving new projects are new towns. Scotland still has its five new towns – East Kilbride, Glenrothes, Cumbernauld, Livingston and Irvine – unlike England where they have been wound up. But winding up is on its way in Scotland.

The Scottish new towns have been crucial to the development of the high-tech economy which Scotland has aimed at in the past two decades and receive about half all Scottish inward investment. High-tech companies from the US and Japan, accustomed to modern plants in modern locations, usually prefer to go to new towns.

This is not necessarily because of the grants – Glenrothes, for example, is not in an assisted area – but because of the assistance which new town development corporations supply in providing readily available premises at concessionary rents and giving a general helping hand.

But East Kilbride and Glenrothes are to be wound up at the end of 1995; Cumbernauld in 1996, Livingston in 1998 and Irvine in 1999. What will happen to them and the assistance they give incoming companies?

Much of their industrial property is to be sold to the private sector. The Scottish Office initially floated the idea of the development corporation staffs staging management buy-outs and forming "local development companies", purchasing many of the commercial assets of their towns. But that ran into Treasury objections that the MBO teams would not offer the best price available.

The Scottish Office then said, just before the general election, that MBO teams might be allowed only the development land and part-finished estates, a much less appetising prospect. It also wants at least some of the new town corporations' operations to be taken over by the local enterprise companies or LECs, which are part of the Scottish Enterprise network.

Mr Crawford says: "The new towns were very good colleagues to Locate in Scotland. The LECs will to some measure replace them."

But although Mr David Millan, chief executive of Cumbernauld Development Corporation, is reasonably positive about the proposed new arrangements and says "the intention is that we will see a seamless transition", other new town officials are fearful that much of what they supply will not be provided after wind-up. The LECs, they point out, would have less money available and will have other priorities.

James Buxton

James Buxton on efforts to attract the civil service

Facing up to an about turn

IN THE middle of January, General Sir David Ramsbotham, adjutant-general of the army, was guest at a lunch given in his honour by the city of Glasgow. The aim was to celebrate the decision by the army to locate its new personnel centre handling army pay and pensions in the city, creating 700 jobs.

The idea involved closing several smaller offices around Britain. In addition to the new jobs, some 400 existing ministry of defence jobs in the city would be safeguarded. The MoD would do everyone a favour by occupying Tay House, a large new office building standing empty in the heart of the city.

But the celebrations proved premature. In early March, Mr Archie Hamilton, the armed forces minister, said the army was now considering an alternative building at Stockport, near Manchester. Its consultants had overlooked it originally but the MoD had to face the fact it was on the market for £4m against the £20m the Glasgow site would cost.

The apparent about turn by the MoD infuriated Mr Ian Lang, the Scottish secretary, and dismayed and puzzled the Glasgow Development Agency which had persuaded the army that Glasgow was the army's best choice. Mr Hamilton said it had always been stated that the original decision was "subject to review and further consultation". He indicated that Stockport was likely to win the re-opened contest.

Earlier this month, however, Mr Hamilton announced that the centre would after all go to Glasgow, but would occupy two existing MOD buildings instead of Tay House. This would cost £6m against the Stockport option which had turned out to cost £15m.

But the affair has been a poor demonstration of the government's stated policy of showing greater consideration to Scotland. The policy was summed up in a white paper issued in March entitled Scotland in the Union: a partnership for good.

It said that since 1979 more than 4,000 civil service jobs "are recorded as having been moved or being about to move to Scotland".

The day the white paper came out the government announced that the department of trade and industry would move part of its oil and gas division from London to Aberdeen. This was a partial victory for leaders of the Aberdeen oil services industry who have been arguing for several years that the government should move the Petroleum Engineering Directorate (PED) (once part of the former department of energy) to Aberdeen.

The ministry of defence affair has been a poor demonstration of the government's stated policy of showing greater consideration to Scotland

The PED handles drilling and production licence applications by oil companies. Scottish Enterprise, in a detailed study in 1991, endorsed the theory that by moving the whole PED to Aberdeen enormous benefits would follow. Oil companies, it said, would transfer the staff who dealt with the PED to the northern city, and engineering design companies would follow them.

The split in oil industry expertise between London and Aberdeen would end. Aberdeen would become the unchallenged centre of European oil expertise. Exports of services and equipment would increase and the UK share of the world offshore oil market might double. Eventually, an extra 15,000 jobs might be created in the UK.

Many people said at the time that Scottish Enterprise was spoiling a good case with exaggeration. The Scottish media did not help, repeatedly saying that the 15,000 new jobs would all be in Scotland or even in Aberdeen alone, rather than in the whole of Britain.

There was evidently intense reluctance by the oil industry civil servants to move north. After much prevarication the government commissioned a study of the issue by Ernst & Young.

The Ernst & Young report, released last month, will have made uncomfortable reading for Scottish Enterprise. It said there was "no clear case" for moving the whole of the PED to Aberdeen. It would mean a loss of business efficiency in the DTI. The impact on the location of other organisations would be "small".

It acknowledged that there would be a "small gain" in promoting an agglomeration of industries and skills in Aberdeen, which "should improve the UK international position in offshore supplies and services".

The government has decided to move 60 geologists and engineers of the PED from London to Aberdeen to provide services previously only available in London. The Aberdeen office would take "the nationwide lead in the issue of field development consents" and process development applications from companies based in Aberdeen. If more oil companies moved the office would be expanded to 80 staff.

It was a partial victory for Aberdeen but also an overdue dose of realism. The civil servants start moving towards the end of this year.

PROFILE : Northern Ireland

An honest answer to overcome fears

RESIGNED FOR years to being regarded as just a coloured pin on the map of world trouble spots found in most TV newsrooms, economic planners in Northern Ireland are encouraged that the province is finally attracting attention for more benign reasons.

The Industrial Development Board, the government body charged with the task of promoting inward investment to the province, says that in 1992 it had one of its most successful years since it was established 10 years ago. It is estimated that some 1,900 new jobs will result from projects signed up in the past year, five times the number in 1991.

Most notable among the new project announcements are Seagate Technology from California, which is establishing its first plant outside the US at Londonderry, with a $65m investment to manufacture wafers for computer hard disc drives, and Texmaco, an Indonesian textile firm, which is to invest £95m in two plants to manufacture new high-tech polyester fibres and fabrics for the European market. Together they will provide some 1,400 jobs when operating at full capacity.

Mr Frank Hewitt, the deputy executive director of the IDB, expressed characteristic Belfast caution in assessing the significance of the upturn. "Several of the projects have been under discussion for a while, and are a result of investment decisions which were probably delayed because of the recession. We will not necessarily have as good a year this year," he said.

Nonetheless, he said, "Seagate was a tough and hard-fought project, and we are pleased to have won it against the competition".

Attracting companies to invest in Northern Ireland is a particularly difficult task. "Not only do we have a perceived peripherality problem with the sea crossing, which regions, such as Wales and Scotland do not have, but we also have the security situation and the negative image created by it" said Mr Hewitt.

His approach is "to be totally honest about it all and put it into context. We cannot attract companies here under false pretences as we want to build a long-term relationship with them. That requires both sides being honest with each other".

The peripherality issue was not a big problem for Mr Marimutu Sinivasan, the president of Texmaco. He said: "Although we will be supplying the European market, we have found that transporting our product from Northern Ireland is absolutely no barrier to having our operation here, a fact borne out by the other Northern Ireland companies we have talked to who are also selling into Europe".

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The frequency and reliability of ferry sailings to Stranraer from Belfast and Larne, and the lack of traffic congestion in the province are factors cited by many freight forwarders from the Republic preferring to ship out of the north rather than Dublin 100 miles further south.

AVX, a leading manufacturer of ceramic capacitors used in computers and telecommunications, set up its European distribution centre at Larne in 1991, which the company says was chosen because of the province's advanced telecommunications network.

This allows orders from across Europe to be placed electronically and to be delivered within 48 hours.

On the issue of political violence, Mr Hewitt points to the security statistics which show Northern Ireland to have one of the lowest crime rates in Europe "even including the terrorist attacks".

If overcoming these obstacles were not enough, however, the IDB itself has recently drawn fire from behind its own lines. In a report published by the Northern Ireland Accounting Office last February, the IDB was criticised for allowing the level of government contributions to overall project costs to creep up from 21 per cent in 1990/91 to 27 per cent currently. It said that greater attention needed to be paid to the issue of job displacement from elsewhere in the UK and in the IDB's "value-added" assessment of IDB-funded projects.

Mr Hewitt admits that he faces some conflicting objectives – namely to win the inward investment for Northern Ireland, but in doing so to keep the cost to the taxpayer at a minimum.

Do the criticisms mean that the IDB will be tougher in assessing projects in the future?

Mr Hewitt insisted that the IDB already carries out a very rigorous appraisal process but said that in allocating its £157m budget this year, "we are aware we must give value to the taxpayer as well as meet our other objective which is to promote job creation".

An important job creator over the past four years, has been the boom in back-office services moving to Northern Ireland, attracted by lower wage and property costs than in inner-city areas such as London, and top-class telecommunications.

Although the driving force for this has lost momentum with the recession, Mr Terence Killen, the IDB section head responsible for promoting such back-office relocations, said: "Firms should take a longer-term view. Property and wage cost differentials are likely to widen again as the economy recovers. Staff turnover is also much lower here and as investment in people rather than machinery or plant is a feature of the services support industry, this can be very important".

One of the biggest such projects announced to date is that by the new Child Support Agency which is to establish a new centre at Belfast, employing 750 people, and from which it will service all of the east of England.

Tim Coone

PROFILE: NCM/Cardiff

A credit gain for bay scheme

THOSE WHO TAKE great pleasure watching great holes being gouged out of the ground have been well-satisfied in Cardiff, especially the city's docklands, these past couple of years. New roads, new buildings, moved buildings, restored buildings have sprouted up all over the place. No sooner is one building completed than another takes its place.

As the Welsh Health Common Services Authority's new home facing Cardiff Bay's inner harbour approaches completion, the hard-hat men have begun another hole. This one will, within the next 20 months, become the headquarters of NCM Credit Insurances, part of the Dutch concern, NCM, that claims to be the largest private credit insurer in the world.

By this autumn bricks and mortar will begin to appear. It is a prestige site, owned by Grosvenor Waterside. By the turn of the century an opera house and centre for the performing arts, a base for the Welsh National Opera Company, is expected to be built next door.

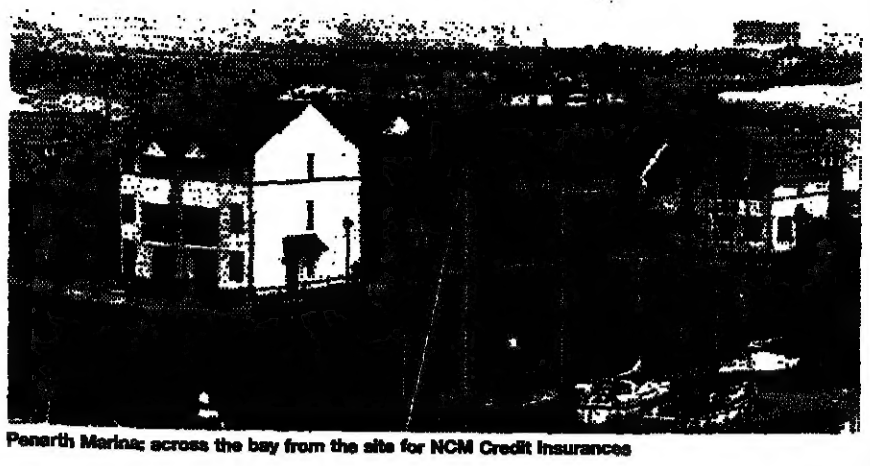
NCM will be *in situ* long before then. Its building should be completed by the end of next year and the first staff should be settling in soon after.

For NCM the move to Cardiff Bay is its second relocation. NCM Credit Insurance may be Dutch-owned now, but until 16 months ago it was the short-term end of Export Credits Guarantee Department, the UK government organisation responsible for providing companies with insurance cover against losses on overseas sales.

As a government department ECGD was a prime candidate, for a move, following the Hardman review during the 1970s of government office location. Its small computer department had already been transferred to Cardiff, and as many of ECGD's activities in the short-term market were scattered around the City of London it was considered sensible for the department to have a new home.

The choice was eventually narrowed to three centres, Liverpool, Glasgow and Cardiff. Having decided on Cardiff space was found within the Welsh Office which had just extended its offices in the heart of the city. It was that choice that was to lead to the second relocation.

Cardiff's civic centre is governed by a covenant from the Marquis of Bute's estate which restricts occupiers to non-profit-making bodies. The Welsh Office sits alongside the university college, city hall, county hall, Temple of Peace, law courts and national museum. Not a penny of profit among them.



Penarth Marina: across the bay from the site for NCM Credit Insurances

The decision at the end of 1991 to privatise the Cardiff part of ECGD meant it could no longer live cheek-by-jowl with the Welsh Office. "From the moment privatisation came on the agenda in 1988 we knew another home would be necessary," says Mr Colin Foxall, once under-secretary in ECGD responsible for the short-term business and now managing director of NCM Credit Insurance.

"Right from the start, we always intended, if at all possible, to maintain a commitment to Cardiff. That does not mean we did not look elsewhere, and, of course, we did. We would certainly have moved out of the city if we could not have found the right place."

Even within Cardiff NCM looked at several sites before settling on Grosvenor Waterside's prestige development in the Bay. One building in the heart of the shopping area, near the station, came under close scrutiny and others on the outskirts were reviewed.

In the end, NCM decided not to go elsewhere, and to relocate to the bay area because it wanted to be part of the redevelopment of Cardiff's docklands. This is the largest urban regeneration in Britain outside London's docklands; perhaps the largest in Europe. The company found the prospect exciting, according to Mr Foxall.

There were also hard commercial reasons. "Since arriving in Cardiff in 1980 we have built a very fine staff, now numbering about 450," Mr Foxall says. "If we had moved well away from Cardiff then we should have undermined that great asset. Cardiff has a well-educated labour market, it is fairly young and there is a pool of the right sorts of skills which we could tap."

Over the years first as a government department, and now as a company, NCM has recruited, trained and developed its staff from the local labour market. "We tend to recruit at a young age," Mr Foxall says, "with the result that many of the people who came to us soon after our arrival in Cardiff are now in fairly senior managerial positions. "This is a very specialist industry and as staff turnover is low we don't lose too many people, an important consideration to us."

As the company's business has become increasingly sophisticated and geared to the latest information technology, staff numbers have not risen, so that around 400 people will eventually move out of the Welsh Office when the new headquarters is ready for occupation. Nine regional offices, as well as the computer centre elsewhere in Cardiff, also report to Mr. Foxall. This compares with about 700 when ECGD originally arrived in Cardiff almost 13 years ago.

It is not numbers so much as quality that Mr Foxall stresses, though. Mr Foxall himself is a Londoner, who made the move to Wales after a lifetime in the department and secondments to the Department of Trade and Industry, and the European Commission in Brussels, so he views the area through the eyes of an incomer.

"There is a very good quality of life here," he says. "It's not just about theatres and museums but also about shopping and entertainment and restaurants. Commercially, it has very fast and good links with London"

Anthony Moreton

PROFILE: East Kent

An affluent image problem

THE government's forthcoming announcement on assisted area status, with all it entails in additional grants from the European Community, is awaited particularly eagerly by business and local authority leaders in the less prosperous parts of Kent.

Areas in the north and east of the county have an image problem. They are within 70 miles or so of London and are widely regarded as being part of the traditionally affluent south-east. Yet, east Kent, while beautiful and well-heeled in parts, has many of the problems of the industrial north with rundown basic industries, and a dearth of new employers choosing the area for relocation.

Mr Tim Byles, director of economic development at Kent County Council, sums up the general frustration at the way in which the area is stubbornly seen by outsiders as part of the Garden of England – a perception has proved hard to shift. "East Kent is as badly off as any area in England, Scotland or Wales, but because it is south of the Thames, the assumption remains it must be wealthy."

There is also an assumption that, because of its proximity to the continent and the rest of the EC, all will be well when the European economic scene improves. This is not necessarily the view of local authority leaders and businessmen.

Mr Martin Hemingway, general manager of the East Kent Initiative, a pressure group formed from local authority and private sector interests to co-ordinate plans, believes that although the area has an attractive quality of life, "it will be doomed without substantial inward investment to create new jobs... something must be done to save the region."

Hence the application last year for assisted area status for six travel to work areas in north and east Kent, four of which are in the Top 20 list of deprivation in the UK. For example, only six of the 99 currently assisted areas in the UK have a higher unemployment rate than Thanet's 16.5 per cent, and unemployment on the Isle of Sheppey is over 18 per cent.

Assisted area status would encourage government and other public and private agencies to point foreign companies in the direction of east Kent, and provide grants to help build industrial estates and boost small companies.

In addition to long-term unemployment caused by the contraction or demise of traditional industries such as engineering, bricks, papermaking and coal mining, the area faces structural change from the introduction last January of the single European market, and the proposed opening next year of the channel tunnel. The single market is estimated to have taken around £30m a year out of the local Dover economy, an average of £1,000 per head of population.

A recent study on the impact of the tunnel forecast a net gain in jobs for Kent, but argued that these were likely to occur mainly outside east Kent, and later than the big job losses expected over the next few years.

Economic handicaps are spread across east Kent, and not just the area most affected by the tunnel. North of a corridor of prosperity centred on Canterbury and Ashford, lies the district of Swale which includes Sheppey and Sittingbourne.

To the north-east is Thanet with endemic unemployment in the faded glories of Margate, Broadstairs, Herne Bay and Whitstable. Local unemployment is exacerbated by the seaside syndrome. A shortage of tourists has led to some hoteliers and boarding house owners taking in the homeless on social security benefits. This puts strains on local authorities and does little for the image of the resorts.

Continued on page 10

Stephen Blaikie: a warm welcome in Crewe

PROFILE: Sokkia

Crewe lays on the red carpet

TRAFFORD Borough Council came within a pittance of winning the relocation of Sokkia, the Japanese surveying instrument company, from south-east England last year.

A perfect site to build a new factory had been found near Sale, only 10 minutes from Manchester airport, but the Japanese turned it down because of the council's attitude.

"They wrote a rather blunt letter saying they could offer us nothing," Mr Stephen Blaikie, Sokkia's UK managing director says. "It made a tremendously poor impression on my Japanese superiors. Even a small discretionary grant of £5,000 towards some of our costs would have swung it, but my colleagues' view was that if they didn't want us, we didn't want them."

Sokkia went to Crewe Business Park in the Cheshire countryside instead. Crewe and Nantwich Council – like Trafford – has no regional selective assistance to offer, but it made the most of what it could give.

This included a cash grant to help with landscaping outside the new factory and small sums to assist local recruitment and training. Nine people were hired locally, including a financial controller.

There was also "key worker accommodation" available in council housing or an equivalent subsidy for private rental. Three of the seven Sokkia staff transferring from Crawley in West Sussex took advantage of this while selling their homes in the south-east.

Above all, however, was the warmth of the welcome. Sokkia executives toured sites all over north-west England on a two-day package tour organised by Inward, the region's government-backed inward investment agency.

When they visited Crewe they got the friendliest reception and were entertained to lunch by the mayor and council chief executive. The mayor later opened the company's new building, to which Sokkia moved in the first week of April 1992.

"Coupled with the willingness to help in any way they could, all this showed a commitment to us by the local authority. My Japanese colleagues put great store on commitment. If people commit themselves to us, we will commit ourselves to them," Mr Blaikie adds.

Sokkia decided to move out of Crawley when its rent came up for review, threatening to rise from £9.50 a sq ft to around £17.

It started looking for land to buy and build upon, but was deterred by south-eastern prices of £700,000 an acre and poor sites – the only nearly-suitable one was an infill between existing buildings on an insalubrious industrial estate.

The company had also come to question being south of London anyway. Its big customers – construction companies in particular – are in the Midlands and north. Getting to Crawley involved stressful journeys around the M25 which were often an ordeal for the people Sokkia was selling to or training.

Mr Blaikie investigated the south coast, Oxford, the Medway Towns, Basingstoke, Portsmouth and the M4 corridor. The company already had offices in Sunderland and at Salford Quays, but was bursting out of the latter. He soon decided the north-west offered the best prospects.

Once Sokkia's senior Japanese executives in Europe and Japan had approved the move, the company bought 1.1 acres of land in Crewe Business Park at £200,000 an acre, with an option on another half an acre. Its purpose-built premises have 12,000 sq ft of modern space and have been designed to allow a 50 per cent expansion on the existing site.

Offices, workshops, stores, demonstration rooms and training facilities have views over green fields. The business park itself is being developed with ecological considerations foremost. New roads are being planted with avenues of trees. Staff walk nature trails at lunchtimes.

The location has also provided a very practicable means of calibrating surveying instruments when they come in for service. They work by bouncing an infra-red beam off a distant prism, allowing distance to be calculated to within a fraction of a millimetre.

The Crewe location has given Sokkia several important line-of-sight baselines for calibration, ranging from 10 metres to more than 1.2km. Instruments being calibrated are mounted on a computer-controlled test bed within the building. Infra-red beams are then aimed by the instruments at a series of reflecting prisms known distances away.

The two nearest are on Sokkia's own walls, but there is one on another building in the park at about 250 metres distance and others on the halls of residence and main teaching block of Crewe and Alsager College, between 400 and 600 metres away.

The farthest is on British Rail's multi-storey block in Crewe, more than three-quarters of a mile away. Invisible – and harmless – infra-red beams shoot across the open spaces round the clock as instruments are calibrated.

In Crawley, there would have been no chance of doing this on such a scale, with a few hundred metres the best distance achievable.

The difference between Sale and Crewe, however, matters little in terms of servicing the customer base. The business park is six miles from the M6 and therefore easily accessible by road. Crewe's famous tradition as a railway junction, of course, speaks for itself.

Since instruments and spares are relatively small items, much trade comes and goes through Manchester airport, only 30 minutes away. "We are very near the centre of Britain in terms of travelling time," Mr Blaikie says. The company, which now employs 32, has been able to close down all other UK branches except in Sunderland, vacating both Salford Quays and Crawley. Staff formerly based in Salford now travel to Crewe to work.

There has also been a financial bonus. Despite selling mainly to a construction and civil engineering sector that has been damaged badly by recession, Sokkia has managed to keep its turnover within 3 per cent of last year's.

This means it has increased its share of a falling market. Mr Blaikie says Sokkia now has about £4m-worth of a current £15m UK market. Its main competitor is Leica, the Swiss-owned optical company. Mr Blaikie expects to do very well out of economic recovery.

He says easier access to customers – and customers' easier access to Sokkia – is critical to improving performance. The days when customers battled round the M25 and arrived exhausted in Crawley have gone.

Ian Hamilton Fazey

PROFILE: Hertfordshire

Search for growth industries

ONE OF Hugh West's first acts after taking over as managing director of the Hertfordshire Development Organisation – a body set up last year to promote inward investment – was to visit the headquarters in the US of several of the big multinationals with existing UK bases in the county.

His purpose was to try to ensure that when UK investment decisions are made by these companies in future, the process which has often taken place in the past – a move from the south-east of England to more distant parts of the UK, such as Wales and Scotland – is not repeated.

Hertfordshire, and its neighbouring counties in the prosperous doughnut-shaped region around London, have become used to being the pool in which other regions of the UK have fished for inward investment opportunities – and to the consequent loss of jobs.

In the past, while their economies were being constantly replenished by new investment, it was possible to accept this migration with a degree of equanimity. The latest recession, however, has differed from its predecessors, for the first time hitting the south-east harder than the rest of the country.

In Hertfordshire, the inflow of jobs from London and the rest of the south-east has not stopped, but it has slowed down. Meanwhile, one of the main props of the local economy – defence and aerospace – has seen very large cuts. Unemployment in the county has increased faster than anywhere else in the UK, with the figure rising from 2.1 per cent in 1989 to near the national average of around 10 per cent, bringing the total out of work to more than 40,000. Included in this figure, are many of the county's commuters who have lost their jobs as a result of cuts in the financial services sector in the City of London.

The HDO, set up with financial support from the county and district authorities, the training and enterprise council (Tec), and local companies, is the county's response to the change in its fortunes. Its aim, apart from ensuring existing companies stay on and expand in the county, and not elsewhere, is to attract growth industries. It has targeted five sectors – computers, telecommunications, office equipment, pharmaceuticals, and financial and business services.

Unemployment in the county has increased faster than anywhere else in the UK, bringing the total out of work to more than 40,000

With many other regions going for similar targets, and often able to offer extensive grants and other inducements, there will be a concentration within these sectors on niche markets which can take advantage of existing expertise within the labour force, for example that gained in the aerospace industry in using very difficult and complex materials, or in high precision engineering. The county will also be seeking to avoid parts of the world where other better-funded regions make their regular calls.

In the health field, where the county is already strongly represented, medical engineering is seen as an area where the skills available from sophisticated defence and electronics manufacturing can be utilised. More important, there are hopes that the "biotech boulevard" which has developed along the A1 through the county will continue to expand.

Hertfordshire already claims to be the biggest centre for pharmaceutical research and development in Europe. Four of the world's biggest drugs groups, Glaxo and SmithKline Beecham of the UK, Roche of Switzerland, and Merck Sharp & Dohme of the US carry out research in the county, along with a number of smaller companies. Glaxo, which already has plants at Ware and Stevenage, is building a £500m research centre in Stevenage which will eventually employ 1,500 people.

In financial and business services, further growth in back office operations – perhaps hastened by worries over security against terrorists, and the need in consequence to split operations between different centres – is also expected, and is thought likely to be encouraged by the availability within the county of large numbers of potential clerical and managerial recruits.

Over the past two years back office or headquarters functions have been opened by Perrier and Trebor Bassett at Rickmansworth, by Rhône Poulenc at Watford, and by the Cheltenham and Gloucester Building Society at Potters Bar, and the insurance company, Provident Mutual, is bringing together its headquarters functions at a £40m new site in Stevenage which will employ 850 people.

A possible new area of growth could be in credit and debit card processing where there are believed to be several US banks interested in bringing new customer services to Europe.

The county's inability, unlike other competing parts of the UK, to offer grants and incentives, is not seen as a significant drawback. Grants are given to compensate for other problems, such as location or the lack of trained labour, Mr West argues. "We already have in place most of the conditions that incoming companies would wish to find, including excellent road, rail, and air communications, proximity to London, and other main markets, and a wide range of information technology, engineering, managerial and professional skills."

New investment will depend on the strength of other leading European economies, some of which are moving into recession

Many companies, too, and in particular smaller ones, are reluctant, he claims, to become involved in negotiations for grants because of the time taken and the costs involved. Grants are more likely, he believes, to be of interest to companies considering very large projects, which Hertfordshire is unlikely to win, even though it has a number of substantial sites to offer as a result of the closure of aerospace, defence and other engineering activities.

These include the 57-acre site Cherry Tree Lane near the M1 in Hemel Hempstead, which is being marketed by the Commission for New Towns, the 60-acre Rolls-Royce Leavesden site and British Aerospace's 200-acre Hatfield site.

The availability of such sites has, according to Brian Briscoe, Hertfordshire's chief executive, made it possible for the county to be more welcoming towards developers than was possible during the mid-late 1980s when there was virtually full employment, and a lack of sites outside the Green Belt.

"In 1988 it was proper to say all industrial land was fully utilised. We now have the opportunity to encourage development to occur. The focus is on bringing land back into use," he argues.

The speed with which new manufacturing and services investment is attracted to Hertfordshire will depend to a large extent on the strength of other leading European economies, some of which are now moving noticeably into recession.

Some analysts, too, forecast that it will be some time before those who have fallen out of work in Hertfordshire find jobs which offer the same pay and conditions as they used to enjoy, particularly if, as seems likely, many of the newcomers are smaller companies.

With the locational advantages the county enjoys, however, the HDO sees itself as probably not a long-term player in the inward investment marketplace, which is probably good news for Britain's more peripheral regions.

"If the economy does turn, in two or three years' time there may not be the need for a development organisation in the form we are at the moment. The better we perform the quicker we close down," says Mr West.

Rhys David

CASE STUDY: TEXACO AT CANARY WHARF

Time to sing the praises

MOVING from the stylish environs of Knightsbridge to the brave new world of Canary Wharf was a big upheaval for the 1,000 employees of Texaco, the US-owned energy group. It was also something of a gamble for their employers.

The latest, big arrival at Canary Wharf – the move was completed in March – has taken up residence at 1 Westferry Circus, from where it now operates its group headquarters.

Texaco's move from offices close to Harrods was forced upon it by an expiring lease and a landlord who wanted to redevelop, but the choice of where to go next was its own.

By 1987, it was clear to the company's executives that the business would have to move from several addresses in the area – held on highly beneficial, historic terms and conditions which it knew could not be repeated.

The commercial property market was powering ahead, with West End rents escalating and landlords holding all of the cards. An analysis showed that, while some core personnel had to remain in the centre of London, the others did not. The decision was taken to look beyond the M25 motorway and, in all probability to the west of London.

But the arrival of Mr Peter Bijur as chairman of the UK operations brought a change in strategy. Mr Bijur, who has since moved on within Texaco, was keen that Texaco operations should be integrated. He wanted a single site.

A variety of options were considered but Canary Wharf, which had been considered at an earlier stage of the relocation exercise, emerged at the top of the list. The quality of office space was regarded as without equal and, despite some concerns over transport links, the comparative price of accommodation made a powerful argument for moving east.

By mid-1989, Texaco had signed a commitment to lease floorspace not then completed and undertook an extensive operation, with the help of the London Docklands Development Corporation, to assist staff in calculating the impact on them of the change in address and in devising new routes to work.

In early 1990, employees were taken down to docklands to see the development for themselves and to hear LDDC officials sing the praises of what was still largely a building site. There were obviously reservations but there was, also, some surprise at the quality of the working environment being built.

Mr Roger Colombe, a Texaco managing director in charge of administration, says that transport links were the most obvious source of concern to staff but that detailed discussions took place to assess the problems and secure suitable travel arrangements. The company also negotiated a series of deals intended to ease the cost and complexity of the journey to work. "The problem of getting to work is far less than many people originally believed. It will get even better now that some important links in the transport chain are being completed," says Mr Colombe.

Around a third of Texaco employees now drive to work, about 130 use the river bus service and the remainder use the docklands light railway, with its much-improved services.

Despite the upheaval, Texaco says that the number of staff leaving as a result of the decision to move has been small. It reckons that, last year, fewer than half a dozen people departed because of the move, although it accepts that at a time of high unemployment, some people remain who might otherwise have been tempted to find more convenient employment.

Texaco has not disclosed how much it is paying for its accommodation at Canary Wharf but says it is happy that the rent is highly competitive, relative to the market and to the sort of accommodation costs being paid by its competitors.

In short, Texaco does not believe that it has, in any sense, placed itself at a commercial disadvantage. The move itself went smoothly and the business has not been disrupted.

The company recognises that staff may not be entirely satisfied with the range of facilities on hand nearby to the office worker – "more shops!" is a constant cry from people used to the rich, retailing facilities along the Brompton Road and Knightsbridge.

But Texaco believes that the area will ultimately fulfil the vision of the developers and says that its move will have proved to be the right one.

According to Jane Bentley, a Texaco secretary: "The surroundings are delightful and the views are wonderful. We could do with more a 'community feel' around us, but that will come in time. Overall, I think most people are quite happy with the move."

Michael Cassell

An affluent image problem

Continued from page 9

It would be wrong to paint too black a picture, though. The area is well place strategically for Europe, there is ample development land, and there is a skilled labour force available.

Mr Ken Welsh, responsible for economic development at Dover district council and the East Kent Initiative, says: "We have a plentiful supply of relatively cheap land and we are the closest English-speaking area to the heart of the single market... the potential is there but it has got to be opened up."

What has held development back in the past, and dissuaded many companies from relocating to east Kent, has been the poor infrastructure. Work on key roads is now well advanced, particularly the M20 from London to Folkestone, and the Thanet Way to Margate and Ramsgate, and plans are in hand to upgrade the vital link from the M2 to the swing bridge across to the rather isolated Isle of Sheppey.

Sheppey is probably the worst blackspot, and the Swale district council was disappointed last year when the £500m Lionhope development for the island, including a new road and tunnel, was turned down by the government on environmental grounds.

An amended plan is currently being drafted with the help of the environment department, and private funding is being sought from local landowners to expedite the design and planning stages.

Mr Bill Croydon, chief executive of Swale, believes the area's greatest asset is the deep water port of Sheerness, the fifth largest freight port in the country. To take advantage of its facilities and easy access to Europe, it must, however, become more accessible.

The recently confirmed plans by government, local authorities and private interests to develop the east Thames corridor should boost the image and employment prospects of the area, particularly Gravesend and the Medway towns, but only in the longer term.

Greater significance is placed on the decision to go ahead with the long-delayed high speed rail link between the Channel tunnel and London, with a main international passenger station planned for Ashford, and others to be placed strategically to improve the lot of the badly-served north Kent commuters.

When the link is in place the journey time from Ashford to London will be halved to 40 minutes. Connecting trains will put Ramsgate and and Dover within an hour of London – a key factor for inward investment and general prosperity.

Richard Evans

David Lawson on the Commission for New Towns and English Estates

Good year for big landlords

JOHN WALKER and Tony Pender have had a pretty good year. One sold 500 acres of development land and the other let more than 2m square feet – not a bad record during a recession. In fact, you might expect them to be carried through the streets on shareholders' shoulders.

Their feet remain firmly on the ground, however. In the first place they want to do far better before contemplating celebrations. It might also be a little difficult for more than 50m backers to gather in appreciation.

As two of the country's largest landlords, they play a key role in the property industry, yet you would search in vain for a share listing. They represent the rump of a once-huge public sector drive to help businesses find better locations, competing in the private sector but still owned by the taxpayer.

Mr Walker is chief executive of the Commission for New Towns, controlling a portfolio worth £1.7bn, including 18,000 acres of land and more than 9.5m sq ft of buildings. At least that was the score at the end of the last financial year. By now it could be less, as he is managing to tap a continuing demand for space around the 21 new towns he handles.

"You can't compare the figures with previous periods because we have taken on Milton Keynes and Telford in the last two years and these make up a quarter of our land bank," he says. But there is one telling comparison with the competition. "Five hundred acres is equivalent to one of those proposed private new towns. And they were planned to take 15 years, whereas we are selling that much each year."

Things could be a lot better. More than 1,000 overseas companies surged into the new towns before the worldwide slump took hold, so a return to some kind of normality could see twice as much land being absorbed. For the moment, however, he has to feed off smaller fry.

"A lot of medium-sized component companies are looking to set up on the back of the big Japanese manufacturers which have already found their niche. The only problem is they take a long time to plan these moves," he says.

Overseas companies are knocking on the door for north-east premises

Slack has also been taken up by more local moves, as companies take the opportunity to gear up for the recovery. Not all these are stimulated by rock-bottom prices. While industrial land values more than halved in the south, some parts of the north have seen prices climbing even in the recession, says Mr Walker. It should all make taxpayer "shareholders" smile, with almost £180m going back into the Treasury from asset sales in the last financial year.

Tony Pender is knee-deep in local moves. That is not surprising, considering that one of his main tasks as chief executive of English Estates is to provide premises small companies cannot get from the private sector. It means a higher rate of premature lease terminations through business failures than a listed company could accept, but that is all part of the remit of this state-owned group, which is due to be absorbed soon into the new Urban Regeneration Agency.

Things got a little out of hand last year when he had to take back 2.5m sq ft, more than wiping out the 2.1m sq ft let. But the fact that the figures reversed in 1992-93 is a sign that recovery is under way.

"It is still a flat market but there are signs of revival because of sterling devaluation and the economy pulling around," he says. Overseas companies have been knocking on his door, too, particularly for premises in the north-east. Already in place are names such as Mitsumi and Hashimoto in Tyne and Wear, while others are keen to get space to meet deadlines for UK production quotas.

This is partly why English Estates is considering boosting its speculative building program after cutting back over the last couple of years to concentrate on land sales. Nothing is put up nowadays without rigorous research into likely demand, and this shows good prospects for units in the 30,000 to 50,000 sq ft range in areas such as Yorkshire and Humberside, and the north.

Other busy areas include buying and servicing sites for sale to local developers on behalf of the Rural Development Commission in an effort to encourage relocation into more efficient buildings to mop up pockets of unemployment in the countryside. A special project is also under way to offset the rundown of VSEL in Barrow and British Nuclear Fuels in Whitehaven.

But the biggest relocation project must be the comprehensive redevelopment of Chatham Dockyard, where Colonial Mutual Assurance has been provided with a new headquarters and Countryside Properties is confident enough to join in with a 92,000 sq ft speculative office scheme.

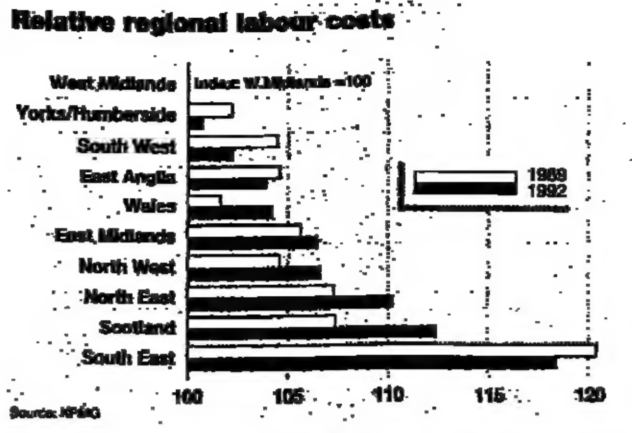
As fast as it builds, English Estates is also selling. Under government orders to liquidate the whole 22m sq ft portfolio it sold 757 units in 1991/92, putting almost 80m into Treasury coffers on top of the rent roll of around half this amount.

Variability in regional cost and assistance

	Regional cost* variations: absolute difference (£ 000s) 1992	Regional cost variations: % difference from average 1992	Regional selective assistance† variations: % difference from average 1990-92
South East	+571.5	+11.2	
Scotland	+417.1	+8.2	+224.5
North East	+147	+2.9	-5.7
North West	-6.7	-0.1	-17.2
East Midlands	-42.4	-0.8	-97.5
South West	-146.4	-2.9	-80.3
Wales	-177.2	-3.5	+106.5
East Anglia	-182.3	-3.6	
Yorks & Humberside	-280.5	-5.5	-64.1
West Midlands	-300.4	-5.9	-66.2

*Variable operating cost for a 50,000 sq ft plant with 300 employees, including transport costs †South-east and East Anglia are not eligible for RSA. Sources: KPMG and Employment Gazette

Relative regional labour costs



Source: KPMG

US companies seeking well-educated science, engineering and computing graduates find plenty in the UK (see next page)

PROFILE: Arlington Securities

Glimmer of light from the business parks

THINGS have not gone smoothly for Arlington Securities over the past couple of years. The barrage of bad publicity over difficulties faced by its holding company, British Aerospace, often turned a harsh light on the developer. There was speculation that it was bound to have suffered from the property slump and was a prime target for disposal.

There is a grain of truth in such doubts. With town-centre rents tumbling, there was no way the company could have maintained the runaway success of the 1980s, when it pioneered out-of-town parks for big office users.

But Barry Holmes has the perfect answer for critics. For the first time the business parks division's figures have been separated out from other operations, showing a £12.8m profit for the year to last December, says the marketing director. The group is also continuing to expand: "We now have 12 operating parks and another seven in planning stages," he adds – definitely not a picture of an operation wilting under pressure.

It takes a bit more imagination nowadays to set up big relocators, such as the £96m sale-and-leaseback of almost 300,000 sq ft to Dana Corporation at Farnborough last year through a leveraged lease organised by Salomon Brothers for sale in the US. Having a big parent like BAe to back such deals is crucial, and another could soon be on the cards.

But there is still a turnover of more modest schemes which helped shift a total of almost 400,000 sq ft in 1992. The rents are not what they were, of course, but Mr Holmes insists that he has never done a deal with more than six months of free occupation – unlike some city-centre lettings where income has been postponed for years by landlords desperate to get space filled.

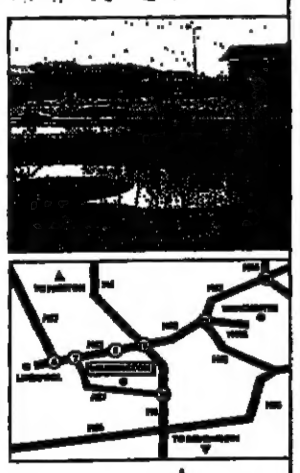
It helps when existing tenants do your selling for you. When Arlington set up a "great debate" on relocation in Bristol last year, NatWest Insurance Services was happy to lecture on the advantages of moving out of the city centre to 50,000 sq ft of offices on Aztec West Business Park. Hoare-Lee, the engineering consultants who have been on the park for three years, went further than praise for the extra parking and better environment, producing hard figures to prove the benefits of relocation.

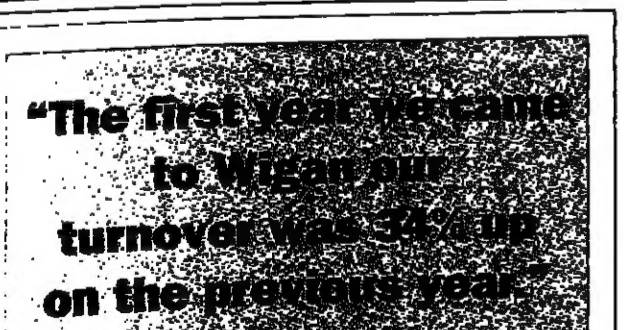
It helps when existing tenants do your selling for you

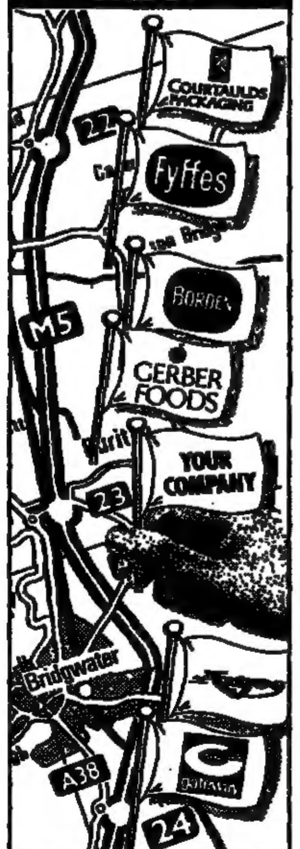
"At first they were worried about being separated from clients, but found that customers were delighted to come out and see them," says Mr Holmes. After logging staff time, this proved a 5 per cent gain in productivity.

As the recovery takes effect he expects more companies to look at relocation again. Business tends to be more concentrated among buildings in the 10,000 to 20,000 sq ft range nowadays but low interest rates make owner-occupation attractive, so site sales are likely to improve. Meanwhile, Arlington is continuing to put up a few speculative buildings on each park to ensure the widest range of choice.

David Lawson







Robert Thomson on a new trend

Why Japan is looking east

JAPAN'S MOST ambitious contractor and developer, Kumagai Gumi, is selling off European buildings as fast as buyers can be found, and the country's aggressive brokers are trimming their London staff. The portents are clear: the era of rapid Japanese expansion in Europe is over.

Like the stock market surge in the late 1980s and the country's domestic capital spending boom, the Japanese expansion into international locales was propelled by low-cost capital and high-powered ambitions which distorted companies' expectations for return on their investment.

The slump in stock prices, the slowing of the domestic economy and the general need for a restructuring of bloated financial and manufacturing companies have encouraged the Japanese to concentrate on their profitability at home and to be selective about extending their operations abroad.

There is one exception, east Asia, which promises growth rates which Europe and the US cannot match. The Federation of Bankers' Associations of Japan says that banks are reducing their overseas assets and branches, and reviewing their management structure. However, there is expansion in China and other fast-growing economies.

Bank of Tokyo last month received approval from the Vietnamese government to open a representative office in Ho Chi Minh City. It will be the first of its kind to be opened by a Japanese bank, but certainly not the last. Japanese companies have targeted the country as a medium-term, low-cost site for component supply to manufacturing industry.

In contrast, the Industrial Bank of Japan has cancelled plans to establish a broking subsidiary in the US, in spite of having made a formal application in March 1991. IBJ, which is expanding into the domestic securities business this year, found the US government's requirements for banks entering a new business unduly cumbersome.

The contraction by financial institutions has been particularly noticeable among second-tier brokers and local banks, which developed ambitions beyond their means in the late 1980s. Okasan Securities has shut its Frankfurt office, Sanyo Securities has closed a Los Angeles operation and Dai-Ichi Securities has left Milan.

Even the larger Japanese brokers are reviewing their exposure in Europe. Nomura Securities, the largest broker, cut its London staff by 35 late last year, and has closed three European offices. Nikko Securities has closed four overseas branches in the past year and may streamline further.

But Nikko says that London remains an important financial centre. Similar sentiments are expressed by other Japanese institutions in spite of the recent Bishopsgate bombing.

Though the offices of Tokai Bank were badly damaged by the blast, it still says that a presence in London is necessary. It has reviewed its security arrangements, as has Mitsubishi Bank, which says that terrorism in London is one reason to send fewer Japanese expatriate staff.

Earnings are a more important influence than terrorism. Japanese companies have reported three successive years of falling profits and can no longer afford the prestige-inspired expansion characteristic of the late 1980s.

With capital costs higher at home and a fourth year of falling profits looming, the emphasis of new investment is on maximising returns. Asia appears to provide the most fertile ground. The Ministry of International Trade and Industry found the average return on Japanese investment projects in Asia is 3 per cent, compared to 1 per cent in Europe and -0.1 per cent in the US.

The differences are even more stark for the return on manufacturing investment, which is reckoned to be 5 per cent in Asia, 3 per cent in Europe, and -0.9 per cent in the US. Over the last two years, Asia's share of new investment has risen from 12.4 to 14.3 per cent, while the UK share fell from 12 to 8.6 per cent.

The Japan External Trade Organisation believes that, in 10 years' time, it will be "impossible" for manufacturers to produce their components at home, as the cost will be too high compared to that of other countries in the region with an increasing pool of skilled workers.

Patrick Harverson finds the special relationship still exists

It has to be the UK

WHEN US companies seek locations in Europe in which to set up, expand, or acquire business operations, the UK has significant advantages.

A common language and culture, a shared history and strong political ties, are obviously important. But the UK also sells itself as a place where it is easy to conduct business – there is less bureaucratic interference from government than in many European countries, business regulation is generally light, and labour laws are among the most liberal in the region.

Moreover, corporate tax rates are also lower in the UK than elsewhere in Europe, wage costs are competitive, and the workforce is relatively well educated and skilled. Equally important, the political environment is stable.

As Geoffrey Robinshaw, whose role as a representative of the trade and investment office in the British Consulate-General in New York is to persuade US companies to locate in the UK, puts it: "I'm inclined to think that we're in the frame unless we mess it up." Aidan Walsh, international director at consultancy firm KPMG Peat Marwick in New York, agrees. "It's almost automatic that US companies will consider the UK first as a possible location."

While many companies consider the UK first, other European countries do not stand aside. Competition for US investment is intense.

There was a rush of interest in Europe as a business location in the run-up to the creation of the single market in 1992, and enthusiasm among US companies has intensified in the past year or so. The integration of European markets has led to a new emphasis on consolidation – of manufacturing, servicing, retailing and marketing operations. US companies that once had production or servicing facilities in several European countries realise that the free movement of goods, people, services and capital means they may now need only one central location for their European-based business.

Mr Jean Claude Goldenstein, New York-based director of European location advisory services for Ernst & Young, says: "There is a growing tendency for US companies to disregard the nation-state concept, and instead think Europe-wide for their markets, and regionally for their facilities. The trend is to centralise production, back offices, and customer support facilities in selected regional locations."

European governments recognise how high the stakes are in this game, which is why they offer US and other foreign companies packages of business incentives, which include financial grants and special tax breaks.

In this respect, the UK believes it compares well with the rest of Europe. Mr Robinshaw says: "The UK government does not believe in throwing money at projects. But in terms of grants, what can be available is always subject to negotiation... and comparable to anything offered elsewhere."

The UK is at a disadvantage, however, compared with Ireland, which has lowered corporate tax rate to 10 per cent for foreign companies with manufacturing operations or financial services units in the country.

Ireland also competes closely in terms of labour costs. Apart from

The withdrawal of sterling from the ERM could prove a double-edged sword

Spain and Greece, it is the only major European economy where these are lower than in the UK.

Yet cost is not the only key consideration in assessing locally-employed labour. Education, skill levels and industrial relations are also important. Here, US companies find the UK has both strengths and weaknesses.

The French and German state education systems at secondary level generally have a better reputation than Britain's. But in higher education, the UK fares better. US companies seeking well-educated and experienced science, engineering and computing graduates find plenty in the UK.

As for industrial relations, the UK has a lead over its European competitors, thanks primarily to the liberalisation of labour laws during the 1980s. This, says a recent Ernst & Young report, has created a "competitive advantage for the UK, Ireland and Switzerland, which do not have large severance payments or trade union requirements. A number of highly-publicised recent plant locations to Scotland highlight this trend."

By comparison, French and German labour laws frighten many US managers. Mr Walsh, of KPMG, says, for example, that the EC's planned "social charter", which the UK government is resisting, worries US companies, which do not want to be forced to put workers on their board of directors, or to accept restrictions on firing and hiring.

Inter-governmental European politics can also affect the way in which different countries are perceived, although it is difficult to say whether the UK's reluctance to commit itself fully to European economic *and* political integration deters some US companies from locating in the UK.

At least one relocation consultant does not believe US companies are too concerned by the UK debate about its future in Europe. As he delicately puts it: "Americans are not internationalists. They have no real focus on what goes on outside their country."

Others disagree, arguing that the political battle being fought in the UK over the Maastricht agreement is monitored within the US. Mr Goldenstein says US companies worry that "the centre of gravity in Europe is shifting south and east".

Even Mr Robinshaw, at the British trade and investment office in New York, accepts that a prolonged internal fight over UK's role in Europe could hurt the country's business prospects. "The longer these things drag on, the more they will permeate people's consciousness."

A by-product of the UK's problems in Europe, the withdrawal of sterling from the exchange rate mechanism, is unlikely to have deterred US companies from locating in the UK. It could prove a double-edged sword – the sharp devaluation of the pound makes it easier to export UK-made goods, but also reduces the value of US companies' repatriated profits.

Companies keen on setting up a central European distribution operation might find other locations more convenient than the UK. Yet, as Mr Walsh of KPMG puts it: "All a company wants to know is: how far am I from my market?"

However, companies measure distance not in miles but in hours. Goods manufactured in the UK can be delivered to most European markets in 24 hours. The completion of the Channel Tunnel should improve transport links – even if, as one consultant says, "most Americans don't realise yet that you won't be able to drive through the tunnel."

Christopher Parkes on the German approach

China is new priority

FOLLOWING an extravagant foreign investment drive in the late 1980s, powered mainly by the approach of the European single market, German industry has re-focused its approach to relocation .

Between 1986 and 1991, almost DM130bn of productive capital flowed out of the country compared with DM60bn in the first half of the decade. By 1991, two-thirds of the DM29bn total was still being invested within the boundaries of the European Community.

The EC with its 320m-strong consumer market is still the favoured target for most German companies. All 11 partner countries offer the attraction of lower wage rates. Britain's relatively modest corporate taxation and better employee relations provide extra pull. Absenteeism rates in manufacturing are 50 per cent lower than in western Germany.

But investment decisions are increasingly being conditioned by a potent mix of old and new factors and constraints – some of which were either ignored or neglected in the past.

The most obvious new elements are the opportunities opened up by the collapse of European communism. German industry, with traditional strengths in transportation, production equipment, telecommunications, environmental engineering and other infrastructural sectors, is well-equipped to benefit. Experience in the economic and infrastructural wasteland of the former GDR will further enhance Germany's qualifications.

However, movement eastwards has been slowed by the inability of the potential new customers to pay, the urgent need to invest elsewhere, and, not least, by the crushing recession which cut west German economic output by about 3.5 per cent in the first quarter of this year and sliced into companies' profits and their ability to invest.

According to the corporate consensus, current priorities for German foreign investment include China and the neglected US, which attracted only 11 per cent of spending in 1991. According to one senior executive, the size of the fast-growing Chinese market is only one of the factors at work: "We simply cannot sit back and let the Japanese take over another market unchallenged."

Volkswagen, battered in its mainstream European markets by recession and self-confessed mismanagement, provides an indication of the scale of German ambitions. China will provide it with its third-biggest market after Germany and Italy by 1996, the company claims. Its first Chinese factory, one of the few group projects not to suffer from a current investment clamp, last year increased output 86 per cent to just 65,000 cars.

Daimler-Benz is discussing building a Mercedes bus factory in Shanghai and at the same time its AEG subsidiary is in talks on a joint venture to build rail rolling stock nearby.

Investment in the US and Mexico reflects in part a determination to avoid any risk of losing more ground within the North American Free Trade Area. Volkswagen has less than 1 per cent of the US car market. But VW's Mexico has already won more than a 30 per cent share of the local automobile market. BMW's first non-German factory now under construction in North Carolina and a recent decision by Mercedes-Benz to open its first US car works, are belated recognitions that closeness to markets and competitive pricing count for more than a Made in Germany label.

While the pull-effect of open global markets is drawing German investors from their homeland fortress, they are being forced out by pressures within – the highest hourly labour costs in the world (DM42 last year compared with DM30 in Japan, DM27.75 in neighbouring France and DM23 in Britain), the highest environmental charges and corporate taxes, and the shortest working times.

That explains why foreign investors find Germany one of the least attractive sites for relocation. According to the IMF, Germany drew just 2 per cent or $19bn of the $1,000bn of total global foreign direct investments in the 10 years to 1991. The US, attracting almost 40 per cent, was the most popular choice, followed by the UK with $153bn.